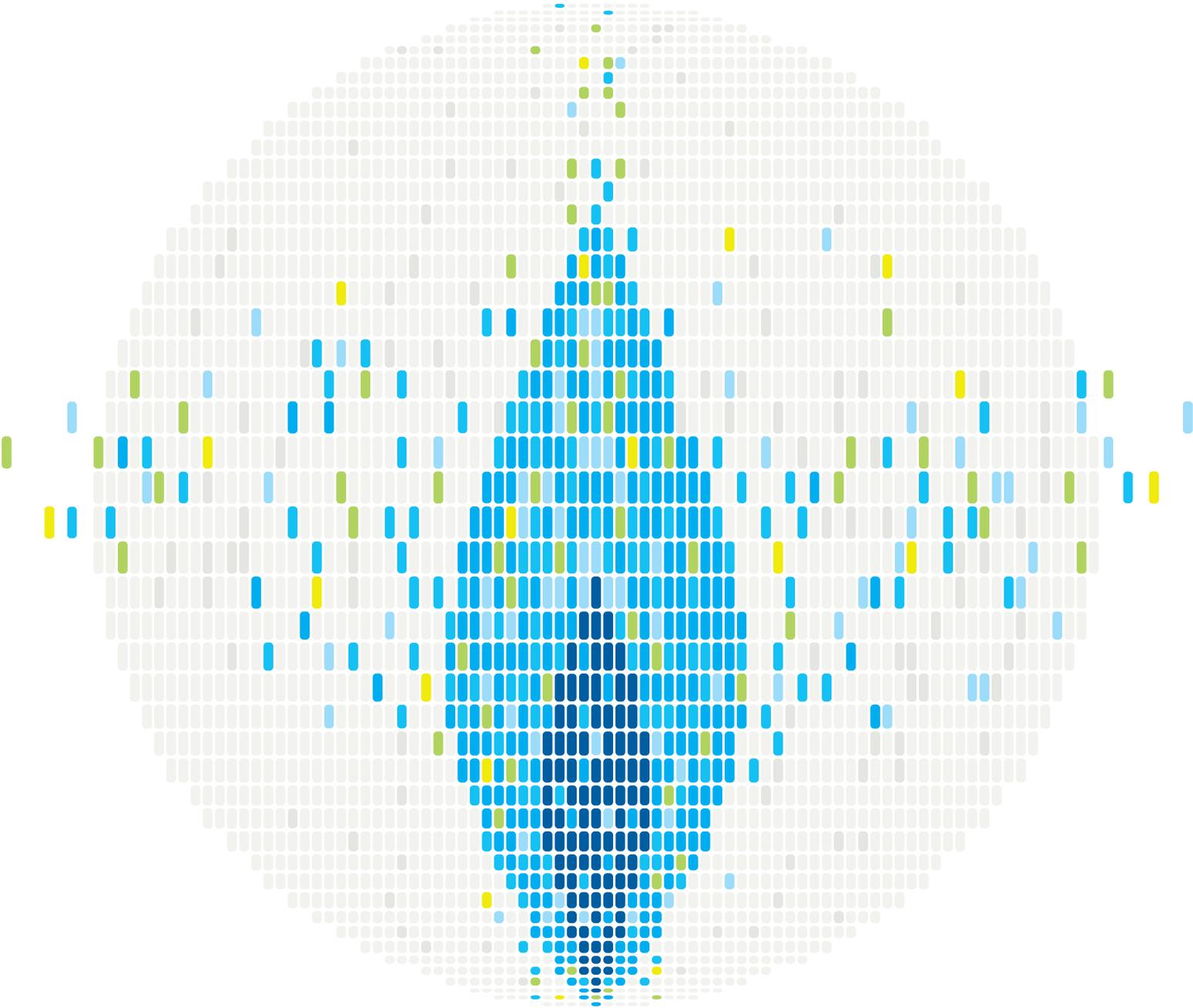




The Hong Kong and China  
Gas Company Limited

(Stock Code: 3)



2014  
annual report



EXPANDING

# NEW HORIZONS

Building on a distinguished history as a local energy supplier in Hong Kong spanning more than a century and a half, we have in recent years consistently embraced new opportunities and challenges as the scope of our operations has progressively expanded.

## 2014 AWARDS AND RECOGNITIONS

### TOWNGAS

#### **Global Chinese Business 1000**

Yazhou Zhoukan

#### **Top 100 Hong Kong Listed Companies**

Finet Group Limited and Tencent

#### **The Outstanding Listed Company Award**

The Hong Kong Institute of Financial Analysts  
and Professional Commentators Limited

### TOWNGAS CHINA

#### **Company of the Year Award**

Institution of Gas Engineers & Managers  
of the United Kingdom and the Energy and  
Utilities Alliance

### TOWNGAS & TOWNGAS CHINA

#### **Constituent Companies of the Hang Seng Corporate Sustainability Index Series**

Hang Seng Indexes Company Limited



We have developed a landmark **202 PROJECTS IN MAINLAND CHINA**, spanning city-gas, city-water, wastewater treatment, natural gas pipelines, new energy, telecommunications and the production of gas-related materials and devices.

In Hong Kong we hosted the **13TH GAS INFORMATION EXCHANGE IN THE WESTERN PACIFIC AREA CONFERENCE AND EXHIBITION** for international gas operators.

Marking its 10th year of operations, our subsidiary Towngas Telecom opened a large scale **DATA CENTRE IN HONG KONG**, the second such facility in its portfolio.

Innovation continued to drive our business in 2014 with the establishment of **S-TECH**, a new IT services venture focused on the application of cloud computing.

Our **NEW PLANT IN INNER MONGOLIA** was undergoing commissioning to upgrade methanol into high-grade fuel chemical products.

Agreement for the implementation of the **SOUTH EAST NEW TERRITORIES LANDFILL GAS UTILISATION PROJECT** was signed, helping the landfill site to significantly reduce carbon dioxide emissions.

## CONTENTS

02	Towngas' Businesses In 2014
04	Business Highlights
05	Five-Year Summary
06	Chairman's Statement
14	Board of Directors
15	Biographical Details of Directors
19	Executive Committee
20	The Mainland Utility Businesses
28	The Hong Kong Gas Business
36	New Energy and Diversified Businesses
44	Corporate Social Responsibility
53	Financial Resources Review
54	Five-Year Financial Statistics
55	2014 Financial Analysis
56	Comparison of Ten-Year Results
58	Report of the Directors
67	Corporate Governance Report
77	Independent Auditor's Report
78	Consolidated Income Statement
79	Consolidated Statement of Comprehensive Income
80	Consolidated Balance Sheet
82	Balance Sheet
84	Consolidated Cash Flow Statement
86	Consolidated Statement of Changes in Equity
88	Notes to the Accounts
173	Corporate Information and Financial Calendar

# TOWNGAS' BUSINESSES IN 2014

## Towngas (Stock Code: 3)

### Piped City-gas Projects

#### Guangdong Province

1. Panyu
2. Zhongshan
3. Dongyong
4. Shenzhen
5. Chaoan
6. Chaozhou Raoping

#### Central China

7. Wuhan
8. Xinmi

#### Eastern China

9. Yixing
10. Taizhou
11. Zhangjiagang
12. Wujiang
13. Xuzhou
14. Suining
15. Fengxian
16. Danyang
17. Jintan
18. Tongling
19. Suzhou Industrial Park
20. Changzhou
21. Nanjing
22. Fengcheng
23. Pingxiang
24. Jiangxi
25. Zhangshu
26. Yonganzhou
27. Hangzhou

#### Shandong Province

28. Jinan East

#### Northern China

29. Jilin
30. Beijing Economic-technological Development Area
31. Hebei Jingxian

#### Northwestern China

32. Xi'an

#### Hainan Province

33. Qionghai

### Midstream Projects

34. Guangdong LNG
35. Anhui NG
36. Hebei NG
37. Jilin NG
38. Henan NG
39. Jintan NG

### LNG Refilling Station

40. Nanjing (Marine)

### Water Projects

41. Wujiang
42. Suzhou Industrial Park
43. Wuhu
44. Suzhou Industrial Park (Industrial Wastewater Treatment)
45. Maanshan
46. Jiangbei

### New Energy Projects

#### Coal Mining

47. Jiangxi Fengcheng
48. Inner Mongolia Erdos Xiaoyugou
49. Inner Mongolia Erdos Kejian

#### Coal-based Chemical

50. Jiangxi Fengcheng
51. Inner Mongolia Erdos

#### CNG/LNG Refilling Stations

52. Shaanxi Xianyang
53. Shaanxi Huitai
54. Anhui Maanshan
55. Shanxi Yuanping
56. Dalian DETA
57. Shandong Chiping
58. Shandong Jining
59. Shandong Dongping
60. Henan Xinmi
61. Shandong Jiaxiang
62. Henan Anyang
63. Shanxi Lingshi
64. Guangdong Guangzhou
65. Henan Kaifeng
66. Henan Linzhou
67. Shanxi Pinglu
68. Shandong Weishan
69. Shandong Shanxian
70. Hebei Shijiazhuang
71. Shaanxi Lueyang
72. Inner Mongolia Huhhot
73. Shandong Linqing
74. Xingtai Ningjin
75. Shaanxi Fengxiang

#### Upstream Projects

76. Shanxi LCBM
77. Jilin Tianyuan
78. LCM Project
79. Xuzhou COG
80. Heze COG
81. Jiexiu COG

### Coal Logistic Project

82. Shandong Jining Jiaxianggang Logistic Port

### Oilfield Project

83. Phetchabun Province in Thailand

### Telecommunication Projects

84. Shandong Jinan
85. Shandong Jinan Chibo
86. Liaoning Dalian DETA
87. Dalian Yida
88. Shandong Laiyang
89. Xuzhou Fengxian
90. Xuzhou Peixian
91. Harbin
92. Dongguan
93. Shenzhen
94. Beijing Zhongjing
95. Beijing Chibo

### Other Projects

96. Shenyang Sanquan Construction Supervisory
97. M-Tech
98. GH-Fusion
99. Towngas Technology
100. Suzhou Industrial Park Broad Energy Services
101. G-Tech
102. GH Yixing Ecology
103. S-Tech (Zhuhai)
104. Zhangjiagang (Chemical)
105. ECO Engineering Management (Shenzhen)
106. ECO Engineering Management (Xi'an)

## Towngas China (Stock Code: 1083)

### Piped City-gas Projects

#### Guangdong Province

107. Foshan
108. Shaoguan
109. Qingyuan
110. Yangdong
111. Fengxi

#### Eastern China

112. Nanjing Gaochun
113. Dafeng
114. Tongshan
115. Maanshan
116. Bowang
117. Zhengpugang Xin Qu Modern Industrial Zone
118. Wuhu Fanchang
119. Bozhou-Wuhu Modern Industrial Zone

120. Anqing

121. Chizhou

122. Tunxi

123. Huangshan

124. Huizhou

125. Tongxiang

126. Huzhou

127. Yuhang

128. Songyang

129. Changjiu

130. Fuzhou

131. Jiujiang

132. Wuning

133. Xiushui

134. Yifeng

135. Changting

#### Shandong Province

136. Jimo

137. Laoshan

138. Zibo

139. Zibo Lubo

140. Longkou

141. Jinan West

142. Weifang

143. Weihai

144. Taian

145. Chiping

146. Linqu

147. Laiyang

148. Zhaoyuan

149. Pingyin

150. Feicheng

151. Boxing Economic Development Zone

152. Yangxin

#### Hunan Province

153. Miluo

#### Northeastern China

154. Benxi

155. Chaoyang

156. Tieling

157. Fuxin

158. Shenyang Coastal Economic Zone

159. Yingkou

160. Dalian Changxingdao

161. Dalian Economic and Technical Development Zone

162. Anshan

163. Lvshun

164. Kazuo

165. Beipiao

166. Wafangdian

167. Xinqiu

168. Jianping

169. Changchun

170. Gongzhuling

171. Siping

172. Qiqihar

#### Hebei Province

173. Qinhuangdao

174. Yanshan

175. Cangxian

176. Mengcun

177. Shijiazhuang

#### Inner Mongolia

178. Baotou

#### Southwestern China

179. Ziyang

180. Weiyuan

181. Pengxi

182. Lezhi

183. Pingchang

184. Dayi

185. Yuechi

186. Cangxi

187. Chengdu

188. Zhongjiang

189. Jianyang

190. Pengshan

191. Mianyang

192. Xinjin

193. Xindu

194. Mianzhu

195. Jiajiang

196. Qijiang

197. Guilin

198. Zhongwei (Fusui)

199. Xingyi

200. Luliang

### Midstream Project

201. Wafangdian NG

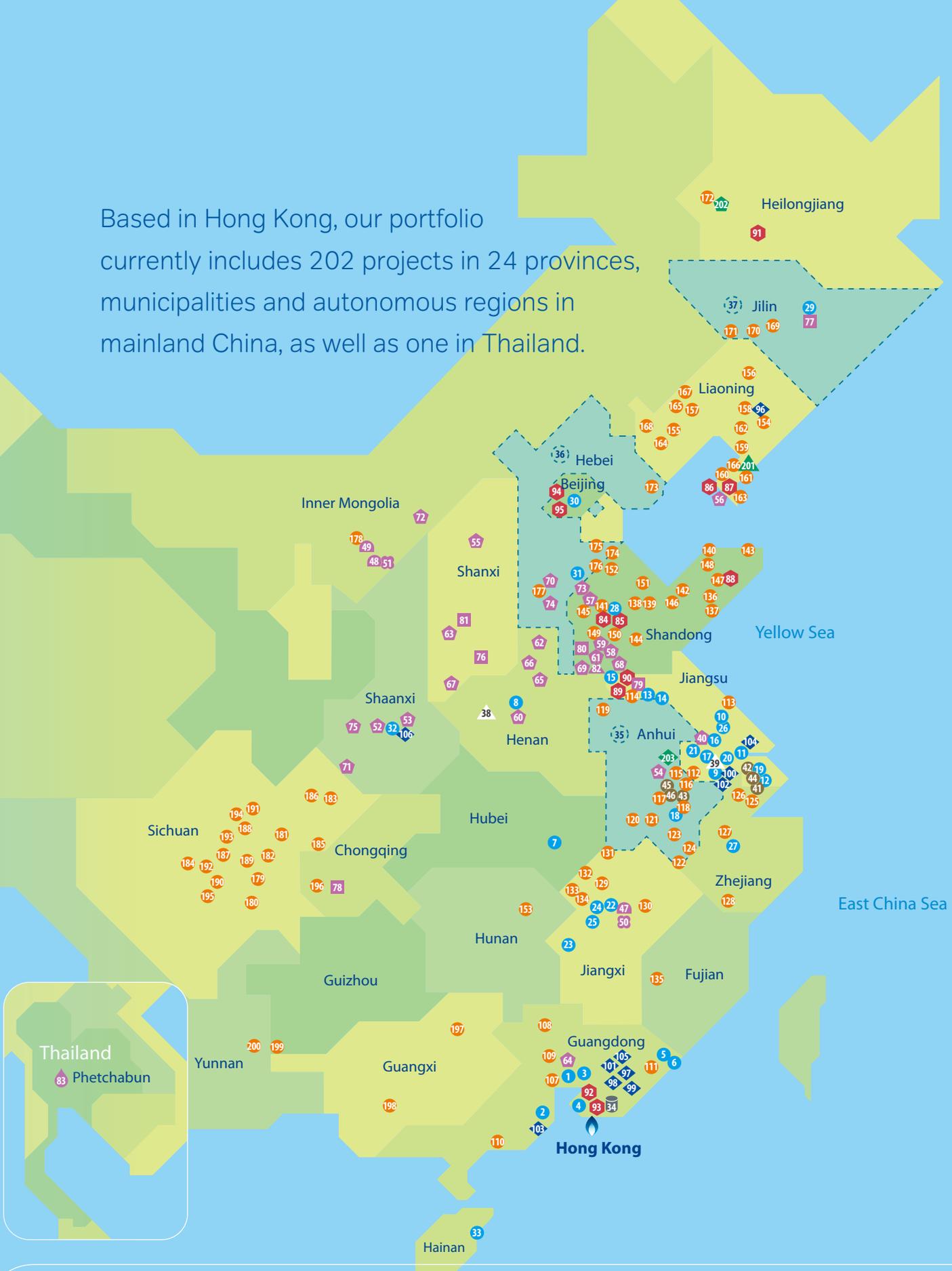
### CNG Refilling Station

202. Qiqihar

### Other Project

203. Zhuojia Public Engineering

Based in Hong Kong, our portfolio currently includes 202 projects in 24 provinces, municipalities and autonomous regions in mainland China, as well as one in Thailand.



-  Towngas Group Hong Kong headquarters
-  Piped city-gas projects (Towngas)
-  Piped city-gas projects (Towngas China)
-  City high pressure pipeline network / Underground gas storage (Towngas)
-  City high pressure pipeline network (Towngas China)
-  CNG / LNG refilling stations (Towngas)
-  CNG refilling station (Towngas China)
-  Other projects (Towngas)
-  Other projects (Towngas China)
-  Liquefied natural gas receiving station
-  Provincial natural gas pipeline network
-  Water projects
-  Telecommunication projects
-  Coal mining
-  Coal-based chemical processing
-  Upstream projects
-  Coal logistic project
-  Oilfield project

# 4 BUSINESS HIGHLIGHTS

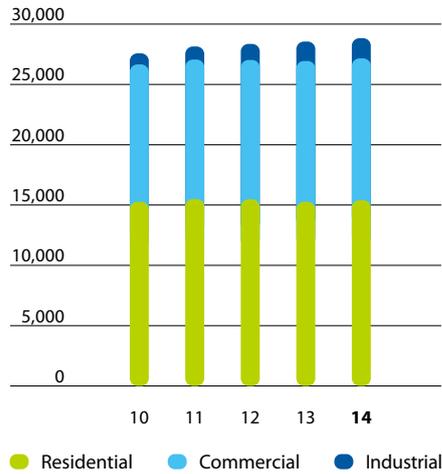
	2014	2013	Change %
<b>Operating (Company)</b>			
Number of Customers as at 31st December	<b>1,819,935</b>	1,798,731	+1
Number of Customers per km of Mains	<b>551</b>	549	-
Installed Capacity, thousand m <sup>3</sup> per hour	<b>511</b>	511	-
Peak Hourly Demand, thousand m <sup>3</sup>	<b>511</b>	476	+7
Town Gas Sales, million MJ	<b>28,835</b>	28,556	+1
Number of Employees as at 31st December	<b>1,972</b>	1,966	-
Number of Customers per Employee	<b>923</b>	915	+1
<b>Financial</b>			
Revenue, HK million dollars	<b>31,615</b>	28,246	+12
Profit Attributable to Shareholders, HK million dollars	<b>7,109</b>	6,854	+4
Dividends, HK million dollars	<b>3,680</b>	3,346	+10
<b>Shareholders</b>			
Issued Shares, million of shares	<b>10,512</b>	9,560	+10
Shareholders' Funds, HK million dollars	<b>52,628</b>	49,868	+6
Earnings per Share, HK cents	<b>67.6</b>	65.2*	+4
Dividends per Share, HK cents	<b>35.0</b>	31.8*	+10
Shareholders' Funds, HK dollars per share	<b>5.01</b>	4.74*	+6
Number of Shareholders as at 31st December	<b>12,722</b>	12,522	+2

\* Adjusted for the bonus issue in 2014

# FIVE-YEAR SUMMARY

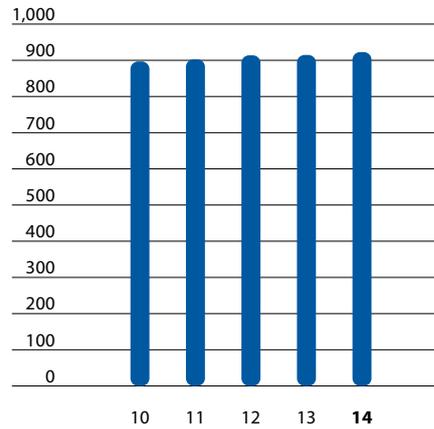
## Town Gas Sales

Company (million MJ)



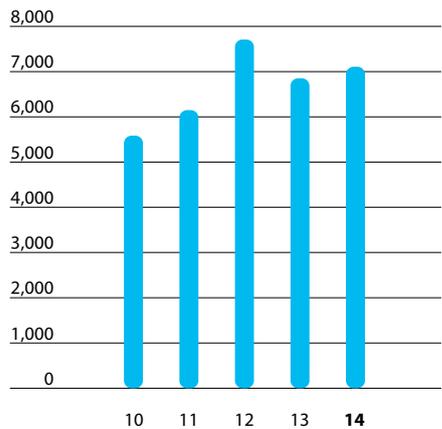
## Number of Customers per Employee

Company



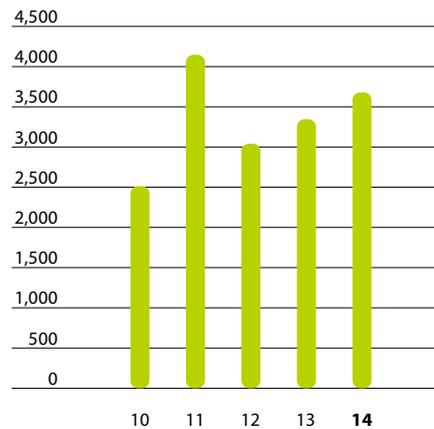
## Profit Attributable to Shareholders

(HK\$ million)



## Dividends

(HK\$ million)





### The Year's Results

The performance of the Group's gas business in Hong Kong remained steady in 2014. In comparison, the Group's city-gas businesses in mainland China thrived, bringing stable growth; concurrently emerging environmentally-friendly energy businesses are continuously developing. The Group's overall recurrent businesses recorded good results in 2014.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK\$7,109 million, an increase of HK\$255 million compared to 2013. Earnings per share for the year amounted to HK67.6 cents. Exclusive of the

Group's share of a revaluation surplus from investment properties and unrealised exchange differences on the renminbi, the Group's profit after taxation for the year increased by approximately HK\$640 million to approximately HK\$7 billion, an increase of 10 per cent compared to 2013 mainly attributable to a rise in profit from the Group's local businesses and mainland utility businesses.

During the year under review, the Group invested HK\$6,365 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

### Gas Business in Hong Kong

The local economy sustained moderate growth in 2014 with favourable overall local employment conditions. Despite a slowdown in local consumer spending, restaurant and hotel sectors, benefiting from continuous growth in the number of inbound tourists, continued to progress well during the year. As a result, commercial and industrial gas sales increased in 2014. However, growth was weakened due to a slightly higher annual average temperature in 2014 than 2013. Overall, total volume of gas sales in Hong Kong for the year increased slightly by 1 per cent to 28,835 million MJ whereas appliance sales revenue increased by 6.1 per cent

with a total of 252,135 sets sold, both compared to 2013.

As at the end of 2014, the number of customers was 1,819,935, an increase of 21,204 compared to 2013, slightly up by 1.2 per cent.

### Business Development in Mainland China

The Group's mainland businesses continued to progress well in 2014 in respect of the number of projects and profit.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 202 projects on the mainland, as at the end of 2014, 29 more than at the end of 2013, spread across 24 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

Diversification and an increase in the number of projects are gradually transforming the Group from a locally-based company in Hong Kong centred on a single business into a sizable, nation-wide, multi-business

corporation with a focus on environmentally-friendly energy ventures and utility sectors.

The Group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively, "ECO"), are progressing well. With a number of environmentally-friendly and energy conservation projects already commissioned or under construction, and new projects under development, the foundation for long-term growth of the Group's businesses is being continually reinforced.

### Utility Businesses in Mainland China

The Group's city-gas businesses are progressing well with a total of eight new projects added to its portfolio in 2014. As at the end of 2014, inclusive of Towngas China, the Group had a total of 127 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2014 was approximately 15.2 billion cubic metres, an increase of 14 per cent over 2013. As at the end of 2014,

the Group's mainland gas customers stood at approximately 18.98 million, an increase of 10 per cent over 2013. The Group continues to be honoured with a good reputation for being a large-scale city-gas enterprise with outstanding performance on the mainland.

Despite the impact of a slow recovery in the global economy and weak demand for commodities, the mainland economy continued to grow steadily though the pace was slower in 2014 compared to 2013. The demand for energy remains strong across the country. A long-term steady supply of natural gas, the major clean energy resource on the mainland, is particularly essential. In May 2014, a 30-year gas supply purchase and sales contract was signed between mainland China and Russia. Under this contract, Russia will start transmitting natural gas to the northeastern region of mainland China via a pipeline from 2018, an important move in guaranteeing sufficient gas resources. Inclusive of a framework agreement signed in November 2014, Russia will supply a total of 68 billion cubic metres of piped natural gas annually to mainland China. The mainland government has also formulated a natural gas

utilisation policy to strengthen preventative measures to combat air pollution and to minimise the formation of haze. This momentum is benefiting the Group's city-gas and natural gas businesses and helping to create continuous growth.

In the past two years, the non-residential sector has been impacted by a rise in the gate price of natural gas in July 2013 and a rise in the gate price of natural gas stock in September 2014. This rising cost of natural gas is having a short-term adverse impact on commercial and industrial gas market demand with certain sectors unable to withstand high energy prices, thus slowing growth of gas sales. However, in the medium to long term, natural gas is still projected to be the clean energy of choice on the mainland for reducing pollutant emissions to improve hazy atmospheric conditions. With gradual commissioning of the country's large-scale natural gas projects all coming on stream, including transmission pipelines from Sichuan province to eastern and southern China and the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Myanmar, together with the

signing of piped natural gas supply contracts with Russia, as well as a rise in the quantity of imported liquefied natural gas ("LNG"), supply of natural gas on the mainland will increase substantially in the next few years. Thus, with increasing sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in future.

The Group's midstream natural gas projects are operating smoothly. These include natural gas pipeline projects in Anhui and Hebei provinces; natural gas extension projects in Jilin and Henan provinces; the Guangdong LNG Receiving Terminal project; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province. Construction of the Group's gas storage facility in underground salt caverns in Jintan city, Jiangsu province commenced in November 2014. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. Phase one of this project, with a total storage capacity of 110 million standard cubic metres, is expected to be commissioned in mid-2016 and will help the Group

to supplement and regulate gas supplies during the peak winter period in eastern China. This project is also in line with the Chinese government's policy advocating the development of gas storage capacity at a faster pace. These kinds of midstream projects generate good returns and support the Group's development of its downstream city-gas markets.

The upstream natural gas supply market is also facing reform. In January 2015, Shanghai municipal government announced that a petroleum and natural gas trading centre will be set up in Shanghai city which is anticipated to further promote marketisation of natural gas prices. These kinds of reforms impacting both the natural gas supply mechanism and prices will be conducive to the healthy development of downstream city-gas businesses.

The Group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in the starting

area of Jiangbei Concentration Zone, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. With increasing demand for clean water resources across the country, the Group's water projects are progressing well, with steady growth in volume of water sales. To achieve a healthier development in the water sector, these project companies are now striving for a reasonable increase in the selling price of water.

Operation and management of businesses encompassing city-gas, midstream natural gas and city-water projects create positive synergy and mutual advantages. Furthermore, these businesses generate stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

## Emerging Environmentally-Friendly Energy Businesses

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for 2014 was 5.8 million tonnes. The facility provides a safe and reliable fuel supply to Hong Kong International Airport and contributes to ECO's steady profit growth. The LPG refilling station business achieved good results in 2014. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO has recently concluded an agreement for the development of a South East New Territories landfill gas utilisation project, which will make a further contribution to energy conservation and emission reduction in Hong Kong.

As haze and air pollution on the mainland are now a growing concern, the Chinese government is increasing its efforts to promote the development of refilling station networks supplying LNG as a fuel for

vehicles and vessels. The use of LNG as a gradual replacement for diesel for heavy-duty trucks is an especially important and effective anti-pollution measure. In response to this opportunity, ECO has been reinforcing its production of LNG by using raw materials such as coalbed gas, coke oven gas, agricultural and forestry waste. ECO is also studying innovative resource conversion technologies for the production of high value-added environmentally-friendly energy. Related research and development has shown promising results, demonstrating noticeable economic and environmental benefits, especially in the areas of methanol upgrading and utilisation of agricultural waste which should help strengthen ECO's competitive edge in this new energy sector in future.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly, with an annual production volume of 250 million cubic metres in 2014. ECO is now seeking more natural gas and coalbed gas supply sources at different strategic locations in order to expand its production capacity and distribution networks.

There is substantial coke demand for steelmaking in the iron and steel industry in mainland China. During the industrial process to convert coking coal to coke, a large quantity of coke oven gas is generated. ECO is proactively investing in projects for the production of LNG by using coke oven gas to meet market demand. ECO has recently concluded agreements with two coking plants in Xuzhou city, Jiangsu province and in Heze city, Shandong province, to produce LNG by using coke oven gas from these plants; commissioning of both projects is expected in late 2015. As there are a large number of coking plants in mainland China, the utilisation of coke oven gas for environmental protection purposes has good prospects.

ECO's methanol production plant in Inner Mongolia Autonomous Region operated smoothly in 2014. On this basis, construction of a facility, which further upgrades methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology, was completed at the end of 2014, an important milestone for ECO's methanol upgrading business.

Mainland China, a sizeable agricultural country, generates a large quantity of agricultural waste.

Apart from a small portion of this for use in fields or for power generation, the rest is incinerated and this inevitably pollutes the atmosphere. ECO is developing new technologies to convert agricultural and forestry waste into natural gas through gasification and methanation. Construction of a plant for this purpose is expected to commence in the second half of 2015, thus opening a new chapter in ECO's new energy businesses.

A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO had 38 refilling stations in operation, under planning or construction as at the end of 2014, and further expansion into more provinces is in progress. The ECO brand name will gradually become more well-known in the market.

ECO's oilfield project in Thailand recorded good output in 2014. After conducting thorough research studying the geological structure of the oilfield, several high-yield wells were subsequently drilled producing a daily output of 6,000 barrels of oil by the end of 2014, four times that of earlier in the year. This high level of output is expected to be sustained in 2015.

### **Towngas China Company Limited** (Stock Code: 1083.HK)

Towngas China, a subsidiary of the Group, recorded good business growth in 2014. Exclusive of unrealised exchange losses on the renminbi, Towngas China recorded a net profit of HK\$1,195 million, an increase of approximately 26 per cent compared to 2013. Inclusive of the losses from the exchange difference in the fair values due to the depreciation of the renminbi during the year, Towngas China's profit after taxation attributable to its shareholders was HK\$1,054 million, a decrease of HK\$52 million compared to 2013. As at the end of December 2014, the Group had an approximately 62.39 per cent interest in Towngas China.

Project development is also progressing well. Towngas China acquired eight new piped-gas projects in 2014 located in Xingyi city, Guizhou province; in Siping city, Jilin province; in Guyang county, Baotou city, Inner Mongolia Autonomous Region; in Jiajiang county, Leshan city, Sichuan province; in Songyang county, Lishui city, Zhejiang province;

in Tongshan district, Xuzhou city, Jiangsu province; in Luliang county, Qujing city, Yunnan province; and in Yangxin county, Binzhou city, Shandong province. In 2014, Towngas China also acquired a vehicular gas refilling station project in Qiqihar city, Heilongjiang province and a gas pipeline assembly project.

In May 2014, Standard & Poor's Ratings Services ("Standard & Poor's"), an international rating agency, upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "BBB" long-term corporate credit rating on the company. As a result of this revision, Standard & Poor's raised its long-term Greater China regional scale credit rating on Towngas China to "cnA+" from "cnA". In July 2014, Moody's Investors Service ("Moody's"), another international rating agency, also upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "Baa2" issuer rating on the company. Such ratings demonstrate Towngas China's increasing credit strength and the rating agencies' recognition of the company's growth momentum.

## Financing Programmes

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. In line with the Group's long-term business investments, the Group had issued, as at 31st December 2014, medium term notes of an aggregate amount equivalent to HK\$10.4 billion with tenors ranging from 5 to 40 years under this programme.

In January 2014, the Group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Capital Securities"), amounting to US\$300 million, through Towngas (Finance) Limited, another wholly-owned subsidiary of the Group. These Perpetual Capital Securities have a nominal interest rate of 4.75 per cent per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia at that time, and thereafter will have a floating interest rate. The Perpetual Capital Securities, guaranteed by the Company, were listed on The Stock Exchange of Hong Kong Limited on 29th January 2014 (stock code: 6018.HK) and rated "A3"

and "A-" by international rating agencies Moody's and Standard & Poor's respectively. The issuance helps further strengthen the Group's balance sheet, improve its financing maturity profile, diversify funding sources and maintain solid investment grade ratings.

## Hong Kong Employees and Productivity

As at the end of 2014, the number of employees engaged in the town gas business in Hong Kong was 1,972 (2013 year end: 1,966), the number of customers was 1,819,935, and each employee served the equivalent of 923 customers, slightly up compared to 2013. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,331 as at the end of 2014 compared to 2,313 as at the end of 2013. Related manpower costs amounted to HK\$917 million for 2014. In 2014, there was an approximately 4.7 per cent average increase in remuneration over 2013.

The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers.

### **Bonus Issue of Shares**

The Directors propose to make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the Register of Members on 9th June 2015. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 1st June 2015, and if passed, share certificates will be posted on 17th June 2015.

### **Final Dividend**

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members as at 9th June 2015. Including the interim dividend of HK12 cents per share

paid on 3rd October 2014, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2015 after bonus share issue shall not be less than the interim and final dividends for 2014.

### **Business Outlook for 2015**

The Company predicts steady growth in the number of customers in Hong Kong during 2015. Currently, favourable employment conditions and an increasing number of inbound tourists in Hong Kong are helping to stimulate internal demand and consumer spending. As the Government of the Hong Kong Special Administrative Region is also striving to increase land and housing supply, stable growth in gas customers and gas consumption are both anticipated. Expansion in the energy market is also benefiting from the competitiveness of town gas, an energy resource combining both environmental and economic benefits. As international oil prices have been decreasing substantially since the second half of 2014, charges for fuel cost adjustment of the gas tariff in Hong Kong have been reduced which is beneficial to customers and to further

enhancement of the competitiveness of town gas. However, increasing local manpower costs and operating expenses have led to rising operating costs for businesses generally in Hong Kong. Nevertheless, the Company will continue to enhance its own operational efficiency so as to maintain stable development of its gas business in the territory.

In respect of city-gas businesses in mainland China, slowdown in the real estate market, resulting from related control policies, has impacted revenue from connection fees. In addition, growth of gas sales is declining due to an adverse impact on industrial production resulting from a sluggish global economic recovery, while growth of gas consumption in the commercial sector is also slowing due to the mainland government's more cautious approach to official spending. All these factors will create challenges to the overall profit growth of the Group's mainland businesses in 2015. Nevertheless, there will be a continuing rise in demand for utility services and energy in the long run resulting from the mainland government's drive to reduce emissions and utilise clean energy to combat air pollution, coupled with rapid urbanisation.

It is anticipated that natural gas price adjustment this year will lower upstream gas prices which would be favourable to the development of the downstream gas market and the healthy development of the natural gas business sector. In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil and natural gas as fuels for vehicles and vessels to reduce atmospheric pollution. Despite the recent drastic fall in international oil prices, which will impact profit growth of emerging environmentally-friendly energy businesses in the short term, the Group will continue to select projects of high quality to invest in. In the long term, emerging environmentally-friendly energy businesses will ignite a new light illuminating the way for the Group's long-term development and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful technical experience, corporate brand names and sales channels built there over the last 20 years, and mainland society's rising concern over air quality, it is anticipated that there will be ever-rising demand for clean energy. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with a sizeable customer base, foresees a promising return from its diversified businesses which continue to expand.

Overall, the Group predicts good and broader prospects and an even better future for all its businesses in the years to come.

**LEE Shau Kee**

*Chairman*

Hong Kong, 18th March 2015

14 BOARD OF DIRECTORS



**From left to right**

**Front Row**

David Li Kwok Po

Lee Shau Kee  
Chairman

Poon Chung Kwong

**Back Row**

Peter Wong Wai Yee  
Lee Ka Kit

Alfred Chan Wing Kin  
Leung Hay Man

Colin Lam Ko Yin  
Lee Ka Shing

# BIOGRAPHICAL DETAILS OF DIRECTORS

## **Dr. the Hon. LEE Shau Kee**

G.B.M., D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.),  
Chairman & Non-executive Director

Aged 86. Dr. Lee was appointed to the Board of Directors of the Company in 1978 and subsequently appointed Chairman in 1983. He has been engaged in property development in Hong Kong for more than 55 years. Dr. Lee is the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited, a Vice Chairman of Sun Hung Kai Properties Limited as well as a Non-executive Director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He was previously an Independent Non-executive Director of The Bank of East Asia, Limited. All the above companies are listed public companies. Dr. Lee is also a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Timpani Investments Limited ("Timpani Investments"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Timpani Investments, Disralei Investment, Medley Investment and Macrostar

Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Dr. Lee was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr. Lee is the father of Mr. Lee Ka Kit and Mr. Lee Ka Shing, Non-executive Directors of the Company.

## **Mr. LEUNG Hay Man**

F.R.I.C.S., F.C.I.Arb., F.H.K.I.S.,  
Independent Non-executive Director

Aged 80. Mr. Leung was appointed to the Board of Directors of the Company in 1981. He is an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land Development"), Henderson Investment Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Mr. Leung is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Chartered Institute of Arbitrators and Fellow of the Hong Kong Institute of Surveyors.

## **Mr. Colin LAM Ko Yin**

F.C.I.L.T., F.H.K.I.o.D.,  
Non-executive Director

Aged 63. Mr. Lam was appointed to the Board of Directors of the Company in 1983. He has more than 41 years' experience in banking and property development. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr. Lam is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited, Chairman of Hong Kong Ferry (Holdings) Company Limited, and an Executive Director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Mr. Lam is a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson

Development, Hopkins, Rimmer, Riddick, Disralei Investment, Medley Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on “Substantial Shareholders and Others” on page 62 of this Annual Report for details).

### **Dr. the Hon. David LI Kwok Po**

GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. D.Litt. (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCI Arb, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur, Independent Non-executive Director

Aged 76. Dr. Li was appointed to the Board of Directors of the Company in 1984. He is the Chairman and Chief Executive of The Bank of East Asia, Limited. Dr. Li is an Independent Non-executive Director of Guangdong Investment Limited, The Hongkong and Shanghai Hotels, Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited, all being companies listed in Hong Kong. He was previously a Director of CaixaBank, S.A., a Non-independent

Non-executive Director of AFFIN Holdings Berhad, and an Independent Non-executive Director of COSCO Pacific Limited and China Overseas Land & Investment Limited. Dr. Li is the Chairman of The Chinese Banks' Association Limited and a Member of the Council of the Treasury Markets Association. He was a Member of the Legislative Council of the Hong Kong Special Administrative Region from 1985 until 2012. Dr. Li was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He received the Business Person of the Year Award in the Hong Kong Business Awards 2006. Dr. Li is a Fellow of Hong Kong Institute of Certified Public Accountants, Fellow of Institute of Chartered Accountants in England and Wales, Fellow of The Australian Society of Certified Practising Accountants, Fellow of Chartered Institute of Bankers, Fellow of The Hong Kong Institute of Bankers, Chartered Fellow of British Computer Society, Chartered IT Professional, Fellow of Chartered Institute of Arbitrators in England, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Institute.

### **Mr. LEE Ka Kit**

J.P., D.B.A. (Hon.),  
Non-executive Director

Aged 51. Mr. Lee was appointed to the Board of Directors of the Company in 1990. He was educated in the United Kingdom. He is a Vice Chairman of Henderson Land Development Company Limited (“Henderson Land Development”) and Henderson Investment Limited as well as a Non-executive Director of The Bank of East Asia, Limited. He was previously a Non-executive Director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited). All the above companies are listed public companies. He is also a Vice Chairman of Henderson Development Limited (“Henderson Development”). Henderson Land Development and Henderson Development have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on “Substantial Shareholders and Others” on page 62 of this Annual Report for details). Mr. Lee is a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary

University Fellowship by The University of Hong Kong in 2009 respectively. He was also awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in 2014. Mr. Lee is the son of Dr. Lee Shau Kee, the Chairman of the Company and the brother of Mr. Lee Ka Shing, a Non-executive Director of the Company.

### Mr. LEE Ka Shing

#### Non-executive Director

Aged 43. Mr. Lee was appointed to the Board of Directors of the Company in 1999. He was educated in Canada. He is a Vice Chairman of Henderson Land Development Company Limited (“Henderson Land Development”) and Henderson Investment Limited and the Chairman and Chief Executive Officer of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Mr. Lee is also a Vice Chairman of Henderson Development Limited (“Henderson Development”) and a Director of Disralei Investment Limited (“Disralei Investment”), Medley Investment Limited (“Medley Investment”), Faxson Investment Limited (“Faxson Investment”), Chelco Investment Limited (“Chelco Investment”) and Macrostar Investment Limited (“Macrostar Investment”). Henderson Land

Development, Henderson Development, Disralei Investment, Medley Investment, Faxson Investment, Chelco Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on “Substantial Shareholders and Others” on page 62 of this Annual Report for details). Mr. Lee is a Member of The Court of The Hong Kong Polytechnic University. He is also a Member of the 12th Beijing Committee, and was previously a Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People’s Political Consultative Conference. Mr. Lee is the son of Dr. Lee Shau Kee, the Chairman of the Company and the brother of Mr. Lee Ka Kit, a Non-executive Director of the Company.

### Professor POON Chung Kwong

G.B.S., J.P., Ph.D., D.Sc.,

#### Independent Non-executive Director

Aged 75. Professor Poon was appointed to the Board of Directors of the Company in 2009. Professor Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organisation). Professor Poon is an Emeritus Professor and the President Emeritus of The Hong Kong Polytechnic University. He had devoted 40 years

of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon is a Non-executive Director of Lee & Man Paper Manufacturing Limited and an Independent Non-executive Director of Henderson Land Development Company Limited (“Henderson Land Development”), Chevalier International Holdings Limited, Hopewell Highway Infrastructure Limited and K. Wah International Holdings Limited, all of which are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on “Substantial Shareholders and Others” on page 62 of this Annual Report for details). Professor Poon was appointed a non-official Justice of the Peace in 1989 and received the OBE award in 1991, the Gold Bauhinia Star award in 2002 and also the “Leader of the Year Awards 2008 (Education)”. In addition, he was appointed as a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People’s Political Consultative Conference (1998 – 2013). Professor Poon obtained a Bachelor of Science

(Honours) Degree from the University of Hong Kong, a Doctor of Philosophy Degree and a Higher Doctor of Science Degree from the University of London. He was a Postdoctoral Fellow at the California Institute of Technology and University of Southern California. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009.

#### **Mr. Alfred CHAN Wing Kin**

**B.B.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., F.E.I., M.Sc. (Eng), B.Sc. (Eng), Managing Director**

Aged 64. Mr. Chan joined the Company as the General Manager – Marketing in 1992 and was appointed as the General Manager – Marketing & Customer Service in 1995. He was appointed to the Board of Directors of the Company in January 1997 and as the Managing Director in May 1997. Mr. Chan is a director of major local and overseas subsidiary companies of the Group. He is also the Chairman and President of Hong Kong & China Gas Investment Limited, the Group's investment holding company in mainland China and chairman, vice chairman or a director of several of the Group's project companies in mainland China. Mr. Chan is the Chairman

of Towngas China Company Limited and a director of Shenzhen Gas Corporation Ltd., both of which are listed public companies. He is also an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited. Mr. Chan is the Chairman of The Hong Kong Management Association and a Vice Chairman of China Gas Association. He received the Executive Award under the DHL/SCMP Hong Kong Business Awards 2005 and the Director of the Year Awards – Listed Companies (SEHK – Hang Seng Index Constituents) Executive Directors from The Hong Kong Institute of Directors in 2006. Mr. Chan is a Chartered Engineer, Fellow of The Hong Kong Institution of Engineers; Fellow of The Institution of Mechanical Engineers, Fellow of the Institution of Gas Engineers & Managers and Fellow of The Energy Institute of the United Kingdom.

#### **Mr. Peter WONG Wai Yee**

**C.P.A., C.M.A., A.C.I.S., A.C.S., F.I.G.E.M., F.H.K.I.o.D., M.B.A., Executive Director and Chief Operating Officer – Utilities Business**

Aged 63. Mr. Wong joined the Group in 1997, initially as its Financial Controller. Since 2002, he has been deeply involved in the development of the Group's mainland utilities business, operating from its

headquarters in Shenzhen, China. Mr. Wong was appointed to the Board of Directors of the Company in February 2013. Mr. Wong is currently the Executive Director and Chief Operating Officer of the Utilities Business and also holds directorships in various subsidiaries of the Group. He is also an Executive Director and the Chief Executive Officer of Towngas China Company Limited and a director of Shenzhen Gas Corporation Ltd., both of which are listed public companies. Mr. Wong was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He is a chartered professional accountant of Canada and a chartered company secretary both in Hong Kong and the United Kingdom. Mr. Wong is a Fellow of the Institution of Gas Engineers & Managers of the United Kingdom. He completed the Advanced Management Program from Harvard Business School in the United States. Mr. Wong was formerly a director of the Certified Management Accountants Society of British Columbia, Canada and the president of its Hong Kong branch. He is a member of the Advisory Board of the Department of Accounting of Hong Kong Shue Yan University. Mr. Wong has over 38 years of experience in corporate finance, management and international working experience.

# EXECUTIVE COMMITTEE



From left to right

## Peter Wong Lam Sang

Head of Commercial –  
Hong Kong Utilities

## Fan Kit Yee

Head of Corporate Human Resources

## Peter Wong Wai Yee

Executive Director and  
Chief Operating Officer – Utilities Business

## Alfred Chan Wing Kin

Managing Director

## John Ho Hon Ming

Chief Financial Officer and  
Company Secretary

## Simon Ngo Siu Hing

Head of Engineering –  
Hong Kong Utilities

## Philip Siu Kam Shing

Chief Operating Officer –  
New Energy Business

# THE MAINLAND UTILITY BUSINESSES



Radiant heating at a construction machinery plant in Xuzhou, Jiangsu province



Eight new city-gas projects, taking the total to 127 projects, serving around 18.98 million customers



Named the Company of the Year at the Gas Industry Awards



Sales of gas appliances reached a record high of 720,000 units

# VITAL MOMENTUM



# THE MAINLAND UTILITY BUSINESSES

Celebrating 20 years since the establishment of its first joint venture in mainland China, in 2014 Towngas continued to expand the scope and breadth of its activities in this vital market. Motivated by a desire to provide excellent service in pursuing a range of projects and investments across the country, we are rising to the challenges and opportunities presented by China’s evolving clean energy landscape and priorities.

## Our City-gas Operations

In mainland China, the prospects for natural gas remain buoyant, despite sharp falls in both coal and crude oil prices. The cost of natural gas increased in 2014, while further challenges are presented by China’s GDP growth slowing to 7.4 per cent, lower than forecast, and signs of a downturn in new home construction and property sales in many cities.

In the face of these unfavourable factors, we recorded 14 per cent

growth in gas sales volume, which reached 15.2 billion cubic metres for the year, accounting for a tenth of the national urban gas market. The Chinese economy remains underpinned by a strong industrial and manufacturing base, solid infrastructure and sound logistics, while both environmental considerations and a desire for clean-burning energy are feeding the country’s increasing appetite for natural gas.

**China Joint Ventures Gas Sales** (million m<sup>3</sup>)



Natural gas is harnessed for spray-painting at an automobile factory in Suzhou, Jiangsu province.

China has set its course on reforming energy production and consumption. Published in June 2014, the State Council's Energy Development Strategic Action Plan (2014-2020) identifies natural gas as the best solution to satisfy energy demands and solve environmental challenges, including persistent hazy atmospheric conditions, and affirms its use can have multiple economic, environmental and social advantages. The International Energy Agency has estimated demand for natural gas in China will increase by 90 per cent in the next five years.

Significant milestones were reached in gas supply sourcing in 2014. In November, China concluded an



With the slogan "Hearing Our Smiles", our 24-hour hotline offers caring, efficient and competent customer service.

**In November 2014, we inaugurated Zhuojia Public Engineering, the Group's first gas pipe system prefabrication business, in Maanshan, Anhui province. Raising efficiency and quality whilst lowering costs, this subsidiary prefabricates pipe systems for natural gas and water distribution, and is expected to have provided 60,000 such systems for new residential units by the end of 2015.**

agreement with Russia under which the latter will supply 68 billion cubic metres of piped natural gas annually, helping to secure a significant proportion of the country's energy needs going forward. The pipeline projects for importing natural gas from Central Asia and Myanmar were also commissioned. With more supply coming on board, particularly in the northeastern and southeastern regions of the country, the gas industry has an opportunity to expand its market share.

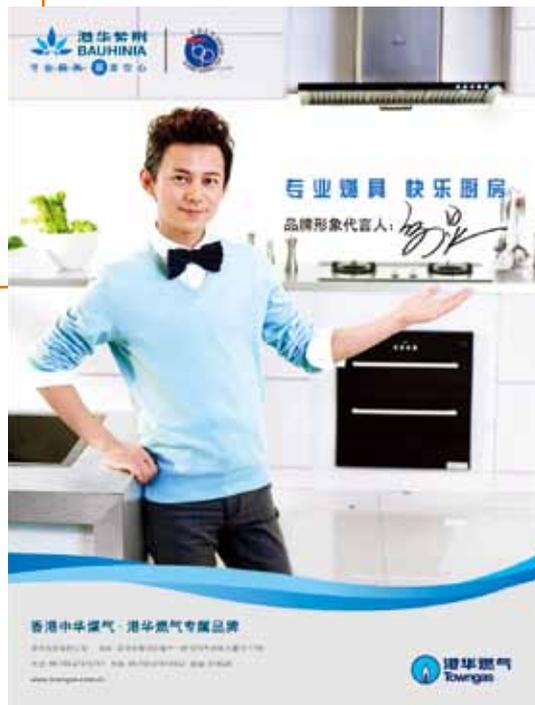
With favourable natural gas utilisation policies also resulting in demand continuing to strengthen, the Group will look to seize on what is a golden opportunity to foster

development and increase the scale and profitability of its city-gas business in mainland China. As a clean energy supplier we are focused on replacing dirtier fuels, both coal and oil, ensuring a reliable and safe supply that can power China's changing and fast-urbanising economy as the government looks to promote indigenous consumption.

In 2014 we added eight new city-gas ventures to our portfolio, including two in new provinces for us – Guizhou and Yunnan provinces. The Group now operates 127 city-gas projects in mainland China, covering 23 provinces, autonomous regions and municipalities and serving around 18.98 million residential and business accounts.

Towngas China was honoured to be named the Company of the Year at the Gas Industry Awards, organised jointly by the Institution of Gas Engineers & Managers of the United Kingdom and the Energy and Utilities Alliance. It was the third time Towngas Group had won this award, but the first time a mainland China gas enterprise had been honoured, and was therefore a major milestone for us, reflecting an endorsement of our efforts to extend and anchor the Group's vision, mission and values in the mainland gas market.

For our new marketing campaign, we appointed He Jiong, the well-known mainland TV host and actor, as the spokesperson for Bauhinia appliances.



### Midstream Facilities

Our goal of becoming a leader in the region's energy market advanced further in 2014 as we continued to build our midstream business with a range of pipeline and facilities projects that generated satisfactory returns while supporting the downstream city-gas markets. These include natural gas pipeline projects in Anhui, Hebei and Liaoning provinces; natural gas extension projects in Jilin and Henan provinces; and our Guangdong LNG Receiving Terminal project.

We started work on an underground natural gas storage project in Jintan, Jiangsu province, which will allow for

storage of pressurised natural gas at salt cavern. When it is completed in 2020, the total gas storage capacity at the 10 caverns deployed will be up to 400 million cubic metres. The project will help us manage our gas inventory through mitigating supply bottlenecks during peak seasons to meet downstream demand. The facility will also be used for gas trading when that commodity market opens.

### Water Supply and Wastewater Operations

Leveraging the similarities between natural gas and water supply in terms of technical and operational expertise, our water supply and wastewater operations in mainland China are managed and run by Hong Kong & China Water Limited (Hua Yan Water). The Group currently operates six water projects, including water supply joint venture projects in Wujiang district, Suzhou, Jiangsu province and in Wuhu, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan and in the starting area of Jiangbei Concentration Zone, Wuhu, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou, Jiangsu province.

Regular pipeline inspections ensure a reliable gas supply.



As demand for clean water has grown steadily, we now provide water to 1.04 million households and businesses. Sales volume grew by 2.3 per cent to 424 million tonnes in 2014.

A modern water purification plant with annual production capacity of 70 million tonnes was built and commissioned in Suzhou Industrial Park. Proper wastewater treatment is hugely beneficial in terms of protecting the environment and preventing water supply contamination, a critical priority in mainland China.

With support from the Ministry of Housing and Urban-Rural Development, as well as local governments, we also staged the Hua Yan Water Forum 2014, with

more than 20 water companies and over 150 industry leaders and specialists coming together to discuss water source safety, water supply management and intelligent water scheduling in Suzhou, Jiangsu province.

### Serving Our Customers

The Group is committed to the highest standards in customer service and customer relations, and our mainland businesses excelled in this vital area in 2014, winning a total of eight awards in China's Best Customer Service Awards. Improving our processes and nurturing a customer-oriented culture is one of our top priorities and we constantly strive to better our performance in this regard.

In 2013 we initiated the Dandelion Scheme, an elite customer service training scheme, with certified trainers now delivering exclusive programmes across Group businesses. Our Customer Safety and Service Workshop meeting brought around 460 people from 118 ventures together to reinforce the Group's standards in these areas.

We also expanded our network of customer centres by 13 in 2014. We now have a total of 228 such centres in 80 mainland cities, offering customers a one-stop experience that complements our overall dedication to service excellence.

We strive to offer more convenience to increase customer satisfaction. During the year, we signed a strategic co-operation agreement to link our self-developed billing and payment system with UnionPay Merchant Services. We also introduced self-service payment at customer centres and continued to promote online and mobile payment methods.

Our flagship appliance brand, Bauhinia, is renowned for providing high quality products that conform to the highest safety standards. In 2014, we introduced 34 new models of Bauhinia appliances, including cooking hobs and water heaters. With the help of a successful marketing campaign, sales grew by 11 per cent, with around 720,000 units of appliances sold in 2014, taking total sales to over 2.9 million

since 2005 and helping to cement the brand's leadership position in the sector. The brand's success has also enhanced home gas safety across the mainland market.

## Safety

Aiming to be the safest national city-gas operator in the country, we are proud that even as our customer base has grown considerably, serious gas-related incidents have gone down by 48 per cent in the last five years. We are determined to ensure customer and public safety and maintain the Group's hard-earned position as a leader in gas safety.

In 2014 – which was themed the “Year of Safety Re-inspection” across Towngas China – we conducted comprehensive production safety re-inspections at our gas facilities, installations and networks around mainland China. We also performed audits of security and risk management and project supervision involving some 30 mainland businesses.

We provided gas safety training across the board and conducted Health, Safety and Environment management workshops. During the year we held our first Pipeline Network Operation Competition among our mainland companies, in which contestants were tested on their technical knowledge, emergency procedures, work regulations and procedures, and proper handling of equipment.

## Utility Businesses in Mainland China in 2014

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
<b>TOWNGAS PIPED CITY-GAS PROJECTS</b>				
<b>Guangdong Province</b>				
Panyu	1994	260	105	80%
Zhongshan	1995	240	96	70%
Dongyong	1998	178	75	82.6%
Shenzhen	2004	–	1,980	26.8%
Chaoan	2007	185	99	60%
Chaozhou Raoping	2011	189	106	60%
<b>Central China</b>				
Wuhan	2003	1,200	420	49%
Xinmi	2009	205	85	100%
<b>Eastern China</b>				
Yixing	2001	246	124	80%
Taizhou	2002	200	83	65%
Zhangjiagang	2003	200	100	50%
Wujiang	2003	150	60	80%
Xuzhou	2004	245	125	80%
Suining	2009	85	34	100%
Fengxian	2009	60	31	100%
Danyang	2004	150	60	80%
Jintan	2006	150	60	60%
Tongling	2006	240	100	70%
Suzhou Industrial Park	2001	600	200	55%
Changzhou	2003	248	166	50%
Nanjing	2003	1,200	600	50%
Fengcheng	2007	206	88	55%
Pingxiang	2009	87	35	100%
Jiangxi	2009	52	26	56%
Zhangshu	2009	86	34	100%
Yonganzhou	2010	100	68	93.9%
Hangzhou	2013	2,988	1,195	24%
<b>Shandong Province</b>				
Jinan East	2003	610	470	49%
<b>Northern China</b>				
Jilin	2005	247	100	63%
Beijing Economic-technological Development Area	2005	111	44	50%
Hebei Jingxian	2011	186	79	81%
<b>Northwestern China</b>				
Xi'an	2006	1,668	1,000	49%
<b>Hainan Province</b>				
Qionghai	2008	110	50	49%

**MIDSTREAM PROJECTS**

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
Guangdong LNG	2004	8,595	2,578	3%
Anhui NG	2005	750	252	27.5%
Hebei NG	2005	2,760	920	45%
Jilin NG	2007	360	220	49%
Henan NG	2012	125	50	49%
Jintan NG	2013	180	100	64%

**LNG REFILLING STATION**

Nanjing (Marine)	2014	600	204	40%
------------------	------	-----	-----	-----

**WATER PROJECTS**

Wujiang	2005	2,450	860	80%
Suzhou Industrial Park	2005	4,705	1,597	50%
Wuhu	2005	1,000	400	75%
Suzhou Industrial Park (Industrial Wastewater Treatment)	2011	550	185	49%
Maanshan	2013	157	63	100%
Jiangbei	2013	150	75	100%

**TOWNGAS CHINA PIPED CITY-GAS PROJECTS****Guangdong Province**

Foshan  
Shaoguan  
Qingyuan  
Yangdong  
Fengxi

**Eastern China**

Nanjing Gaochun  
Dafeng  
Tongshan  
Maanshan  
Bowang  
Zhengpugang Xin Qu  
Modern Industrial Zone  
Wuhu Fanchang  
Bozhou-Wuhu Modern  
Industrial Zone  
Anqing  
Chizhou  
Tunxi  
Huangshan  
Huizhou

**Tongxiang**

Huzhou  
Yuhang  
Songyang  
Changjiu  
Fuzhou  
Jiujiang  
Wuning  
Xiushui  
Yifeng  
Changting

**Shandong Province**

Jimo  
Laoshan  
Zibo  
Zibo Lubo  
Longkou  
Jinan West  
Weifang  
Weihai  
Taian  
Chiping

**Linqu**

Laiyang  
Zhaoyuan  
Pingyin  
Feicheng  
Boxing Economic  
Development Zone  
Yangxin

**Hunan Province**

Miluo

**Northeastern China**

Benxi  
Chaoyang  
Tieling  
Fuxin  
Shenyang Coastal  
Economic Zone  
Yingkou  
Dalian Changxingdao  
Dalian Economic  
and Technical  
Development Zone

**Anshan**

Lvshun  
Kazuo  
Beipiao  
Wafangdian  
Xinqiu  
Jianping  
Changchun  
Gongzhuling  
Siping  
Qiqihar

**Hebei Province**

Qinhuangdao  
Yanshan  
Cangxian  
Mengcun  
Shijiazhuang

**Inner Mongolia**

Baotou

**Southwestern China**

Ziyuan  
Weiyuan  
Pengxi  
Lezhi  
Pingchang  
Dayi  
Yuechi  
Cangxi  
Chengdu  
Zhongjiang  
Jianyang  
Pengshan  
Mianyang  
Xinjin  
Xindu  
Mianzhu  
Jiajiang  
Qijiang  
Guilin  
Zhongwei (Fusui)  
Xingyi  
Luliang

**MIDSTREAM PROJECT**

Wafangdian NG

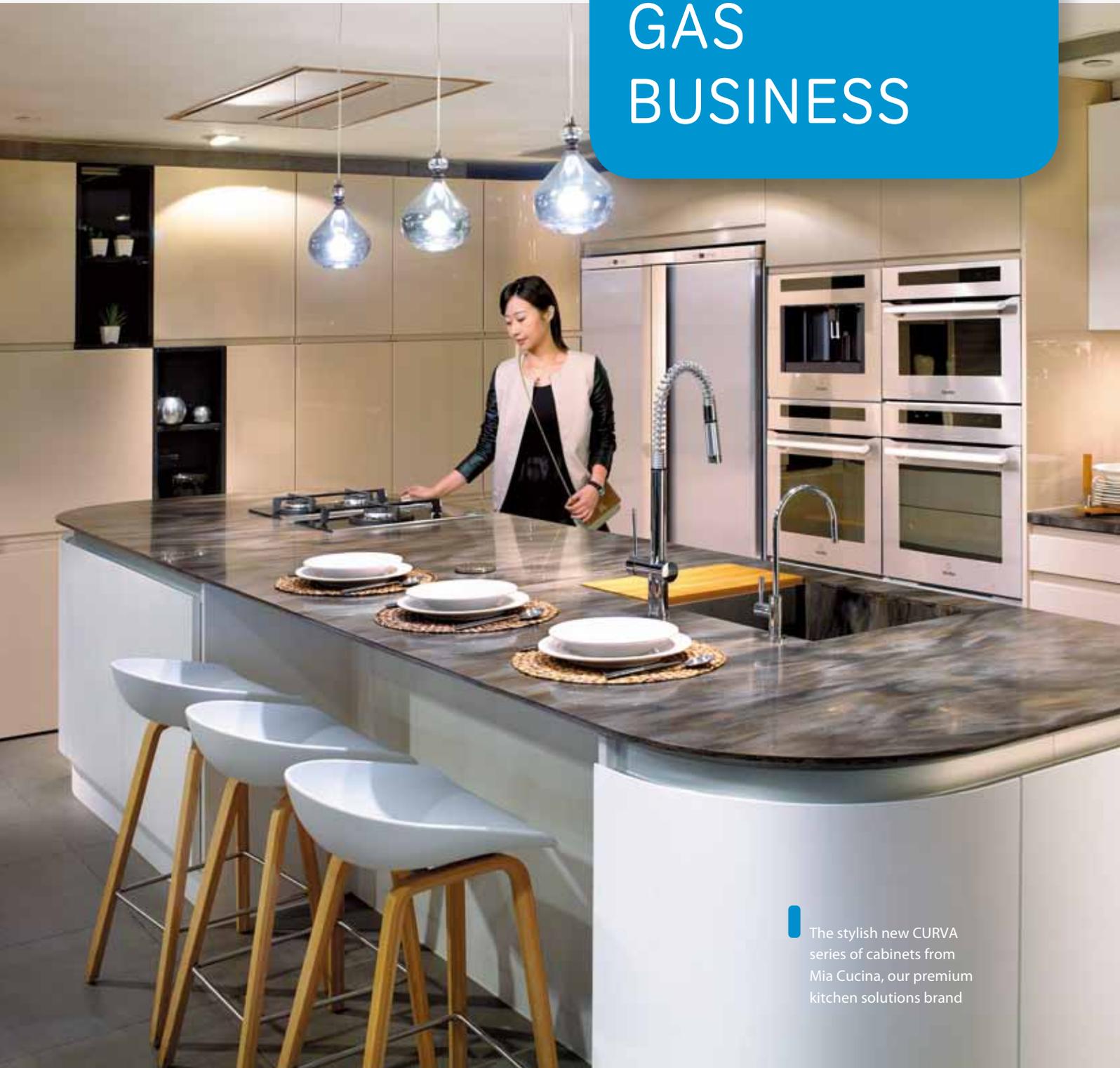
**CNG REFILLING STATION**

Qiqihar

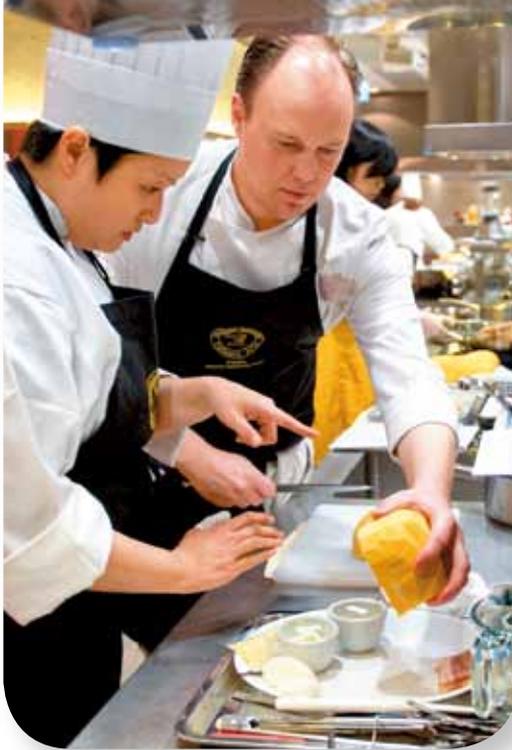
**OTHER PROJECT**

Zhuojia Public Engineering

# THE HONG KONG GAS BUSINESS



The stylish new CURVA series of cabinets from Mia Cucina, our premium kitchen solutions brand



Made substantial home cooking market gains with Mia Cucina and Scholtès, our high-end kitchen solutions brands

Hosted the international gas industry event – Gas Information Exchange in the Western Pacific Area (GASEX) Conference and Exhibition

Launched Cook for Love marketing campaign

# AN ENERGISED UTILITY



# THE HONG KONG GAS BUSINESS

Since 1862, we have continually set the benchmark in Hong Kong in terms of service, operational excellence, engineering and safety. We are devoted to providing our customers with safe and reliable energy, and to broadening the scope of our activities through ongoing innovation. As we look to retain our leading position in our home market and expand our horizons, we will continue to be guided by our core corporate values of integrity and total quality management.

## Our Residential and Commercial Activities

Our Hong Kong business continued to grow steadily throughout 2014. The volume of gas sales rose by 1 per cent, while our customer base further expanded to a total of 1,819,935 accounts, an increase of 21,204 over the previous year.

Despite a slowdown in local consumer spending, the restaurant and hotel sectors – benefiting from continuous growth in the number of inbound tourists – continued to progress well during the year. As a result, commercial and industrial gas sales increased in 2014.

Our efforts to support businesses in the switch from diesel to town gas for both economical and environmental reasons also continued to reap rewards. The hospital sector enjoyed growth of 5.7 per cent, mainly due to a diesel-to-gas boiler conversion



Ocean Park's Shark Mystique attraction utilises our energy-efficient gas-fired absorption chiller to control the water temperature of the aquarium.



project at Yan Chai Hospital and North Lantau Hospital being operational for its first full year.

The government and industrial sectors showed outstanding performance, with volume growth of more than 6 per cent and 4 per cent respectively. This was mainly due to gains from newly commissioned heated public swimming pools, gas absorption chillers and gas desiccant dehumidifiers being introduced to theme parks, newly acquired laundry clients, and the expansion of a food factory.

Two major contracts were secured in 2014. A new facility due to open in 2016 at the Yuen Long Industrial Estate will see business from an existing laundry client double. The phase two absorption chiller at a theme park in Lantau will

We staged Asia-Pacific's biennial GASEX Conference and Exhibition in Hong Kong, promoting the exchange of information on developments and innovation across the gas industry. Focused on the theme of "Advancing the Gas Value Chain", this year's exhibition attracted about 100 exhibitors from around the world, with more than 500 industry professionals attending.

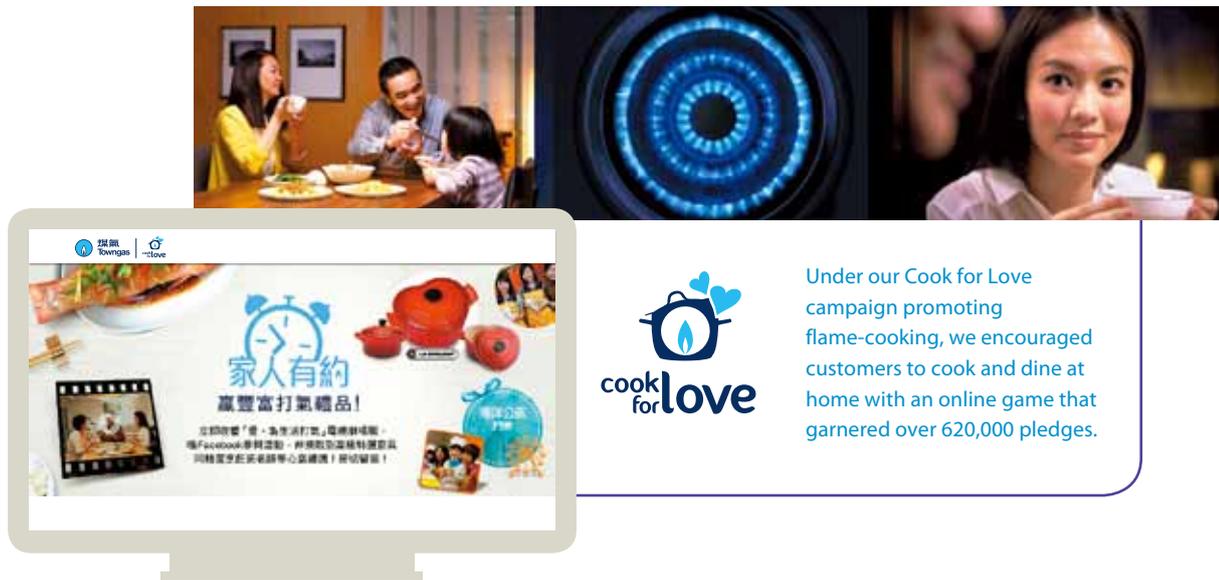
be operational in 2015, and a new on-site hotel will open in 2017, representing a significant uplift in gas sales.

We also played an important role in the food and beverage market. In view of manpower shortages, a growing problem in the restaurant trade, we introduced a series of state-of-the-art, labour-saving automated applications, ranging from an auto-tossing gas wok range to a smart meat roaster, an auto gas deep fryer and a smart claypot rice

### Number of Customers

Company (Thousand)





Under our Cook for Love campaign promoting flame-cooking, we encouraged customers to cook and dine at home with an online game that garnered over 620,000 pledges.

cooker. In addition, we sponsored the Taste of Hong Kong Awards, in which the assessment board invited mystery diners to appraise high quality restaurants around the city.

With the reputation for superior quality, Towngas' high-end kitchen solutions brands, Mia Cucina (kitchen cabinets) and Scholtès (kitchen equipment) are targeted at high-end retail customers and property developers for bulk installation. In 2014, we introduced CURVA, a new range of stylishly-designed, curved-lined cabinets well-suited to spatially-restricted Hong Kong homes on account of their smooth angles.

We put a great deal of effort into promoting flame cooking. During the year, a marketing campaign

themed "Cook for Love" was launched to encourage cooking and dining at home. This included a TV commercial and various online promotions, both of which received enthusiastic feedback from the public across different age groups. In December, we also sponsored a cookery TV programme featuring celebrities and renowned chefs preparing food by using Mia Cucina and Scholtès products. Looking forward, we will continue to promote our brand offering under the "Cook for Love" umbrella theme, whilst further exploring social media channels and enhancing our product range at retail level to create more customer touch-points and nurture all-round engagement.

Our Flame restaurant at Towngas Avenue in Tsim Sha Tsui began offering wedding with celebrant service in 2014. The venue's romantic setting, overlooking Victoria Harbour, and its flexible catering set-up make it perfect for parties and banquets. Moreover, our Cooking Centre in partnership with Disciples Escoffier Asia, one of the world's premier gastronomic societies, organised the Escoffier Diploma in Culinary Arts programme for cooking lovers.

### A Commitment to Customer Service

Technology has afforded us a number of exciting and innovative ways to enhance our service. Our Customer Service Hotline Centre is now powered by a state-of-the-art

call management system with enhanced functionality that embraces a wide range of voice and digital channels.

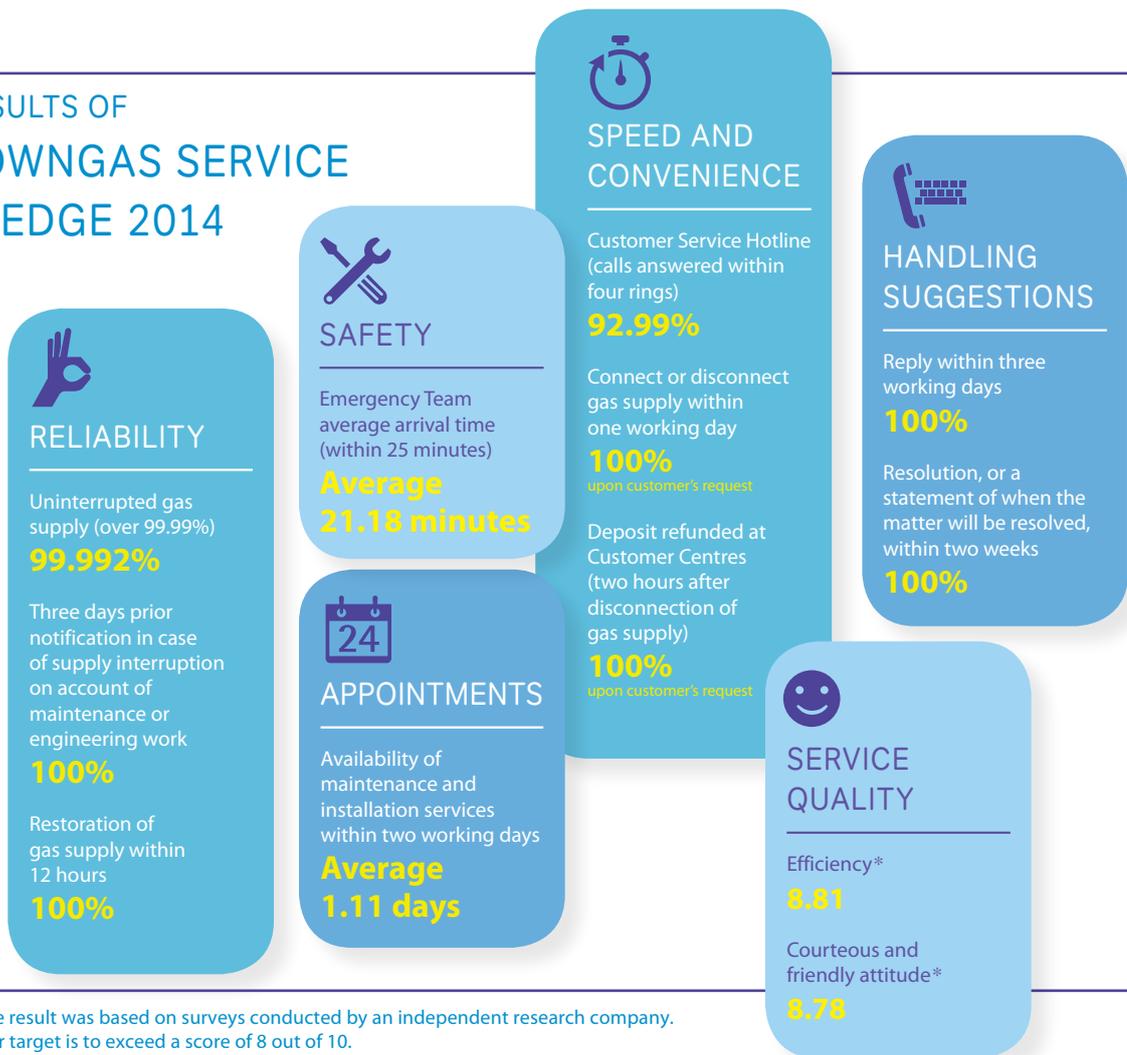
Improving the productivity of our inspection services is another way to ensure gas system integrity. In 2014 we rolled out our new 360-degree Total Riser Solution for inspections of gas risers attached to high-rise

buildings. This involves a quadcopter that enables inspections to be carried out efficiently without the need for erecting scaffolds, as well as a gondola equipped with stabilisers to scale premises. These systems greatly reduce waiting time and costs as well as improve overall safety by eliminating hazards from working at heights, and their value was recognised as Towngas proudly

gained the Safety Enhancement Programme Silver Award at the 13th Hong Kong Occupational Safety & Health Award.

In addition, we delivered refresher courtesy training for more than 1,100 frontline technicians, contractors and also sales and customer service hotline staff. We accumulated a total of 3,075 learning hours through the

## RESULTS OF TOWNGAS SERVICE PLEDGE 2014



\* The result was based on surveys conducted by an independent research company. Our target is to exceed a score of 8 out of 10.

programme, a major commitment in our ongoing efforts to enhance our service culture across key areas.

### Gas Infrastructure

In 2014, we continued to expand and upgrade our piped-gas network and infrastructure in Hong Kong to serve new and existing customers and enhance supply reliability.

The existing twin 400 mm diameter pipelines from Ma Tau Kok to North Point are being replaced by 450 mm ones. The submarine section of the project, from To Kwa Wan to North Point, is completed and the pipelines are expected to be commissioned by mid-2015.

The pipeline to bring natural gas from Sha Tin, via Beacon Hill Tunnel to Ma Tau Kok is now completed. Moreover, modifications to our Ma Tau Kok plant are also expected to be finished by mid-2015, after which natural gas will replace naphtha as the feedstock for the production of town gas at that plant. This change is expected to yield both economical and environmental benefits.

To enhance supply security in the North West New Territories, a 9 km long pipeline is being constructed along Castle Peak Road to Tai Lam. Targeted to be finished in 2016, work is about two-thirds completed.

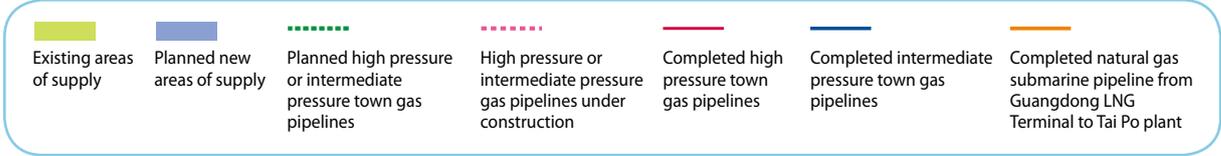
Planning is in progress to cope with the government’s future new town developments, and for infrastructure to support MTR Corporation’s major railway projects serving new residential areas.

In 2014, Towngas successfully gained ISO 55001 certification, the new ISO standard for asset management. New software was also developed that uses scientific methods to prioritise replacement work on ageing pipelines, based on information regarding their service age, location and operating conditions. Utilising our Geographic Information System, it enhances the asset management of the Company’s pipeline network.

Our new self-developed Riser Inspection Quadcopter can conduct a safety inspection on the service riser of a 30-storey building in an hour.



## Towngas Network in Hong Kong



# NEW ENERGY AND DIVERSIFIED BUSINESSES

Our new methanol upgrading  
process unit in Inner Mongolia





The plant in Inner Mongolia to upgrade methanol to automobile fuel substitute was undergoing commissioning



38 refilling stations now in operation, under planning or construction



Towngas Telecom celebrated 10 years of service and launched a new data centre in Tseung Kwan O

## CHANGING ENERGY FOR GOOD



# NEW ENERGY AND DIVERSIFIED BUSINESSES

In 2014, our new energy business continued to grow as a major pillar of our operations, with a focus on new technology applications. As China's national energy policy and energy mix changes and evolves, we are committed to developing new energy projects that are low in pollutant emissions. We continued to extend our liquefied natural gas (LNG) value chain and also advanced our biomass technology and methanol upgrading capabilities. As we remain focused on "Expanding New Horizons", our solutions will not only drive further growth for Towngas but also meet the challenges of a changing energy economy in the years ahead.

## New ECO Energy

ECO Environmental Investments Limited (ECO) is fundamental to our new energy vision and commitment to environmental protection. It is also a trailblazer in developing and deploying state-of-the-art technology to produce clean fuels.

Haze and air pollution are growing concerns on the mainland, and with the Chinese government binding the country to a 2030 cap in total carbon emissions, we can expect to see a growing migration from conventional land and marine transport fuels, greater recycling of industrial by-products and breakthroughs in converting agricultural waste into useful, eco-friendly energy products.

Drawing on the Group's rich breadth of chemical processing knowledge and engineering experience, ECO's focus is on developing technological innovations based around converting low-grade resources –

such as by-products of industrial and agricultural processes – into high-value products in clean and cost-effective ways.

One key strategy for ECO is to develop its LNG value chain. On the supply side, our pioneering liquefied coalbed methane (LCBM) plant in Shanxi province has been running smoothly and registered a double digit increase in production in 2014, with

continuous process improvement expanding annual capacity to 250 million cubic metres. We are beginning to extend our LNG capabilities to cover other unconventional resources, the near term one being coke oven gas (COG), a by-product of the coke-making industry which can be synthesised into methane and then liquefied into LNG. Our first two such facilities – in Xuzhou, Jiangsu province, and Heze, Shandong province – are now under construction and will each have output capacity of 75,000 tonnes annually. Upon their completion, by the end of 2015, these two facilities will greatly reinforce



ECO's research and development efforts are focused on the conversion of low-grade feedstocks into high-value energy products.



We deployed a new process to convert methanol into a higher value automobile fuel substitute at our methanol plant in Inner Mongolia.

our LNG supply capabilities in central and eastern China.

Our next targeted unconventional resource for LNG purposes is agricultural waste. This requires two innovative technologies developed by our research and development team – one to gasify agricultural waste into syngas, the second to turn syngas into methane for liquefaction. Work on these ground-breaking applications is maturing, and they are expected to be ready for commercial implementation by mid-2015.

On the demand side of our LNG activities, our gas refilling stations either in operation or under planning or construction increased in number in 2014 to 38. ECO's wider network of natural gas refilling stations is gradually taking shape, amongst others, in Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. We will continue to accelerate the

growth of this network across mainland China. The stations provide clean LNG and compressed natural gas primarily to commercial vehicles as a substitute for the more polluting diesel. This will help mitigate the wide-spread and persistent hazy atmospheric conditions in the country, which are partially caused by pollutants from vehicular emissions.

Another exciting area of development concerns methanol. Our coal-based methanol plant in Inner Mongolia employs clean coal technology to generate syngas, which is then synthesised into methanol. It has been running smoothly and produced 240,000 tonnes of methanol in 2014. De-bottlenecking work at the plant is near completion and will boost the output capacity to 300,000 tonnes per annum. In November, we started commissioning of an

additional clean methanol upgrading process to turn methanol into 140,000 tonnes of natural gasoline (a gasoline substitute chemical product) annually. We envisage this innovative process route will have huge market potential.

ECO's two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas (LPG) vehicular refilling stations – are operating smoothly. The ECO Aviation Fuel Facility supplied 5.8 million tonnes of fuel to the Hong Kong International Airport in 2014 and contributes steadily growing returns of investment. Our five designated LPG refilling stations serve 18,000 taxis and most of Hong Kong's minibuses round the clock, with sales accounting for roughly 30 per cent of the city's automobile LPG market.

In terms of our upstream oil business, our onshore oilfields in Thailand had a remarkable year, with several high yield wells successfully hit. Its crude oil production increased significantly to reach 6,000 barrels a day and an annual record of 1.4 million barrels,

ECO's pioneering LCBM plant in Shanxi province has been operating smoothly.



bringing substantial additional revenues despite the sharp fall in international crude price since the middle of the year.

Looking ahead, ECO will continue to be a leader in unconventional energy focusing on developing and employing cutting-edge technology to produce clean fuels to feed growing demand in mainland China and beyond.

## Telecommunications

With global use of data increasing exponentially, there is great demand for data processing and cloud computing services, and Towngas Telecom (TGT) has expanded in response to that demand with robust infrastructure and services. Leveraging the Company's vast gas pipe network by deploying advanced Glass-In-Gas technology, TGT has made the most of its competitive advantage in terms of cost and speed of underground fibre-optic deployment. We have provided fibre links and dedicated bandwidth service to large corporations, SMEs, telecommunications carriers and international network service providers.

In December 2014, TGT celebrated its 10th anniversary with the opening of a data centre in Tseung Kwan O, our second centre in Hong Kong. The state-of-the-art Tier 3+ data centre has a floor space of 22,000 square metres and is able to accommodate 3,000 server racks, half of which have been reserved since the centre's launch. By the second quarter of 2015, two data centres will be opened in Dongguan, Guangdong province, and Dalian, Liaoning province. TGT plans to expand its data centres to 10 in total in Hong Kong and mainland China in the coming three years.

In 2014, TGT also launched various new cloud computing services. Most notably, ACT, launched in collaboration with Aliyun, Alibaba's cloud computing subsidiary, provides a secure, cost-effective cloud platform for SMEs and software developers in Hong Kong, mainland

China and further afield. Given the continuing trend towards outsourcing of hosting and telecommunications services to third-party operations, we expect TGT to experience significant growth in the years ahead.

## Information Technology

In 2014 we launched S-Tech Technology Holding Limited (S-Tech), a wholly-owned subsidiary whose principal operations include product development, solution implementation and system integration.

S-Tech hosts SMEs' infrastructure and software, from financial systems to point-of-sales, billing and corporate management solutions, offering cloud computing applications and other IT products as well as consulting services to companies both inside and outside of the Towngas Group.

Providing a one-stop-shop service for SMEs, S-Tech is headquartered in Hong Kong, with a mainland China branch in Zhuhai, Guangdong province. Its Towngas Customer Information System Integrated Cloud Solution won a Gold Award at the Hong Kong ICT Awards, in the Best Business Solution (Application) category. The award winning system is now being widely used among our city-gas project companies in mainland China via a cloud platform, which helps reduce system capital outlay and operating costs, in addition to a much shorter implementation time.

### Civil and Building Services Engineering

Our wholly-owned subsidiary U-Tech Engineering Company Limited (U-Tech) enjoyed another excellent year, providing consultancy services and engineering contractor works on utilities installation, infrastructure and building services for public and private projects in Hong Kong and Macau.

During the year, U-Tech completed an electrical installation project covering 2,000 flats across phases two and three of a residential development in Lok Wo Sha, Shatin.

Located in Tseung Kwan O, our state-of-the-art TGT Hong Kong Data Centre 2 is able to accommodate 3,000 server racks.

Our construction of a large scale box culvert and a sewage pumping station for the Kai Tak Development Area also progressed well, as did a 60 km water supply pipeline replacement and rehabilitation project in the New Territories. The project was started in 2011 and is due to be completed in 2015, while another project, involving the laying of 1.9 km of water main in Tai Po, is on course for completion towards the end of 2016.

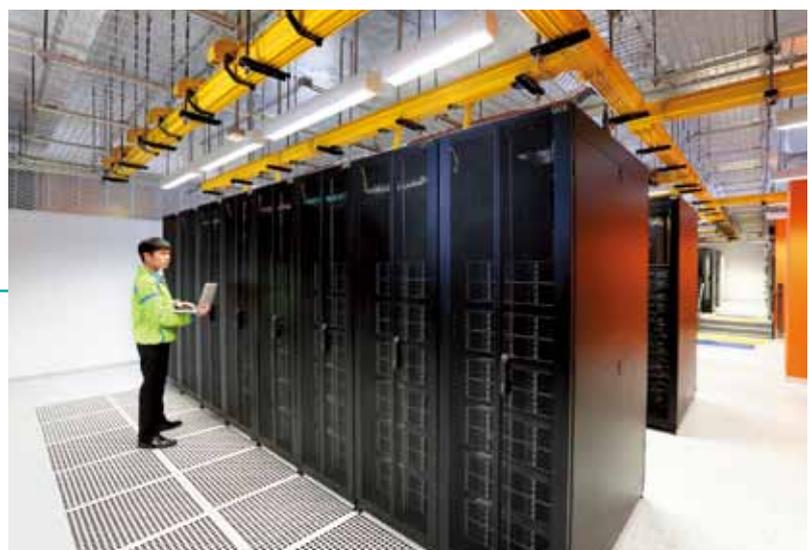
U-Tech was also awarded a number of new contracts during the year, including a contract from the Highways Department to construct a pedestrian link at Tsing Yi Station and a coach lay-by at Sai Kung. It also won a contract to undertake electrical installation work for phases four and five of the Lok Wo Sha residential development, as well as electrical and MVAC (air-conditioning) installation contracts for a hotel development at Wo Yi Hop Road, Kwai Chung.

### Manufacturing Facilities

As part of our commitment to maintaining the highest standards of safety across the supply chain, we design and manufacture polyethylene (PE) piping and jointing parts for both gas and water systems.

G-Tech Piping System (Zhongshan) Company Limited (G-Tech), our wholly-owned subsidiary, continues to supply piped gas operators with quality PE pipes manufactured under stringent quality control. It has expanded its distribution coverage with new logistics hubs and warehouses in Liaoning, Jilin and Shandong provinces. The business has been supported by GH-Fusion Corporation Limited, our joint venture with the British Fusion Group, which specialises in PE fittings.

In 2014, G-Tech's overall sales increased by about four times compared to 2013, with production





G-Tech's manufacturing plant in Zhongshan supplies gas operators with PE pipes manufactured to the highest standards.

capacity now surpassing 4,000 tonnes. Production capacity will be further increased in 2015.

M-Tech Metering Solutions Company Limited (M-Tech) strives to develop and bring to market the latest smart gas meter solutions. M-Tech's smart

gas meters using Micro-Electro-Mechanical Systems (MEMS), are not affected by the temperature or pressure of the gas they measure and therefore provide more accurate readings. M-Tech is now developing a series of new MEMS models to replace traditional diaphragm gas meters.

In 2014 the subsidiary achieved High-Tech Enterprise status – a national level qualification in mainland China that comes with tax advantages. A total of 89 Towngas China's companies have now purchased M-Tech's smart gas meters. We are looking into supplying smart gas meter solutions to all our city-gas businesses, as well as to other gas operators in mainland China and overseas.

## New Energy and Other Projects in 2014

### NEW ENERGY PROJECTS

#### Coal Mining

Jiangxi Fengcheng	2008	1,100	236	25%
Inner Mongolia Erdos Xiaoyugou	2009	447	120	70.1%
Inner Mongolia Erdos Kejian	2011	450	150	100%

#### Coal-based Chemical

Jiangxi Fengcheng	2009	1,250	350	40%
Inner Mongolia Erdos	2009	1,170	400	70.1%

#### CNG/LNG Refilling Stations

Shaanxi Xianyang	2008	12	12	100%
Shaanxi Huitai	2010	54	27	100%
Anhui Maanshan	2006	15	11	30%
Shanxi Yuanping	2008	40	20	42%
Dalian DETA	2010	40	20	49%
Shandong Chiping	2010	30	15	100%
Shandong Jining	2010	11	8	100%
Shandong Dongping	2010	43	26	91%
Henan Xinmi	2010	29	15	100%
Shandong Jiaxiang	2012	50	28	70%
Henan Anyang	2012	29	14	100%
Shanxi Lingshi	2013	25	20	75%
Guangdong Guangzhou	2013	26	13	100%

## NEW ENERGY PROJECTS

### CNG/LNG Refilling Stations

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
Henan Kaifeng	2013	29	15	100%
Henan Linzhou	2013	30	20	100%
Shanxi Pinglu	2014	27	14	100%
Shandong Weishan	2014	58	29	100%
Shandong Shanxian	2014	28	14	100%
Hebei Shijiazhuang	2014	65	31	80%
Shaanxi Lueyang	2014	21	13	100%
Inner Mongolia Huhhot	2014	28	14	90%
Shandong Linqing	2014	22	13	100%
Xingtai Ningjin	2014	20	17	80%
Shaanxi Fengxiang	2014	30	15	100%

### Upstream Projects

Shanxi LCBM	2006	600	200	70%
Jilin Tianyuan	2007	140	5	50%
LCMM Project	2010	520	180	50%
Xuzhou COG	2014	453	151	80%
Heze COG	2014	450	150	70%
Jiexiu COG	2014	480	250	60%

### Coal Logistic Project

Shandong Jining Jiexianggang Logistic Port	2011	540	180	55%
--	------	-----	-----	-----

## TELECOMMUNICATION PROJECTS

Shandong Jinan	2008	80	40	90.1%
Shandong Jinan Chibo	2009	170	68	65.5%
Liaoning Dalian DETA	2010	14	10	49%
Dalian Yida	2011	190	76	90%
Shandong Laiyang	2011	14	10	90%
Xuzhou Fengxian	2011	11	8	100%
Xuzhou Peixian	2013	13	9	100%
Harbin	2013	158	63	80%
Dongguan	2013	240	80	60%
Shenzhen	2014	59	29.5	100%
Beijing Zhongjing	2014	14	10	49%
Beijing Chibo	2014	14	10	90%

## OTHER PROJECTS

Shenyang Sanquan Construction Supervisory	2011	4	3	60%
M-Tech	2011	30	30	100%
GH-Fusion	2002	87	43	50%
Towngas Technology	2011	30	21	90.1%
Suzhou Industrial Park Broad Energy Services	2012	170	71	25%
G-Tech	2013	27	13.5	100%
GH Yixing Ecology	2013	184	184	100%
S-Tech (Zhuhai)	2014	7	5	100%
Zhangjiagang (Chemical)	2014	610	205	100%
ECO Engineering Management (Shenzhen)	2014	30	15	100%
ECO Engineering Management (Xi'an)	2014	13	9	100%

## OILFIELD PROJECT

Phetchabun Province in Thailand	2012	181	12,000	100%
---------------------------------	------	-----	--------	------

Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
-----------------------	--------------------------	--------------------------	----------------

Year of Establishment	Project Investment USD M	Registered Capital USD	Equity Share %
-----------------------	--------------------------	------------------------	----------------

# CORPORATE SOCIAL RESPONSIBILITY



Towngas volunteers actively participate in our organic farming activities



Agreement signed on SENT landfill gas utilisation project to turn waste gas into energy



Launched Fun Living Series campaign to promote work-life balance among employees



Introduced a new initiative to install toilet washlets in elderly hostels

# DRIVING SUSTAINABILITY FORWARD



# CORPORATE SOCIAL RESPONSIBILITY

As a leading supplier of low carbon emission energy in Hong Kong and mainland China, we consider that the sustainability of our business is people-focused and people-driven. As we look to provide the environmentally-friendly energy solutions of tomorrow, our success depends on the trust of our employees, customers, business partners and the general public. As such, we make a total commitment to conduct our business in an ethical and responsible manner. This is the foundation of our promise to care for our employees, the communities we serve and our planet.

## Caring for the Environment

As a responsible company committed to sustainable business practices and a greener future, we aim to provide our customers with quality products and services while minimising our environmental footprint. As such, we put great

emphasis on developing and nurturing a culture of caring for the environment both in our day-to-day operations and in our community initiatives.

A major milestone in the Company's green endeavours came in December 2014, when we signed an agreement with the operator of

the landfill site at Tseung Kwan O, for work to begin on the South East New Territories (SENT) landfill gas utilisation project. We will build a landfill gas treatment facility to turn landfill gas into synthetic natural gas, which will be integrated into the gas supply network. The project will reduce the emission of carbon dioxide by 56,000 tonnes a year,



The SENT landfill gas utilisation project is one of the largest energy conservation and emission reduction environmental projects in the territory.



We delivered 250,000 rice dumplings and 260,000 mooncakes to the less fortunate in 2014.

equivalent to the planting of 2.4 million tree seedlings. Construction work will begin in the second quarter of 2015 and the project is expected to be operational by mid-2016.

We also continued to support green groups' activities locally, including the WWF's annual "lights out" Earth Hour initiative, Conservancy Association's Green Leaders Bloc training programme, Friends of the Earth's Tree Planting Challenge and Green Sense's No Air-Con Night. In addition, we sponsored Greeners Action's Zero Food Waste at Campus programme through which primary school students are taught about food waste reduction and food recycling.

On the mainland, we continued to promote a culture of sustainability throughout 2014, with a series of

activities under the banner "Limited Resources, Infinite Recycling".

Activities included tree planting, essay and photography competitions and low carbon awareness events to call on our employees and customers to reduce resource consumption and alleviate pollution. We also once again organised a successful carbon reduction competition for our mainland companies and received 20 entries, with a combined estimated reduction of 20,202 tonnes carbon emissions.

During the year, Towngas China published its first corporate social responsibility report, in accordance with the Hong Kong Exchanges and Clearing Limited's Environmental, Social and Governance Reporting Guide and the Global Reporting Initiative's Sustainability Reporting Guidelines.

## Supporting Our Communities

2014 was another significant year for Towngas in terms of its community and volunteer programmes, as we continued to look outwards towards serving those most in need and fulfilling our commitment to good corporate citizenship.

In our annual Rice Dumplings for the Community programme, 250,000 rice dumplings were wrapped for donation, during the Dragon Boat Festival, to those in need in our communities, taking the total dumplings distributed since the programme's inception to over 2 million. On the mainland, we also donated over 100,000 rice dumplings during the festival.

During the year, we continued our Warmth and Care Fresh Food Aid Programme, aimed at providing food to low-income and single-parent families. In conjunction with Salvation Army and Tung Wah Group of Hospitals' social enterprise CookEasy, we provided fresh food packs twice a week to 150 needy families in Hong Kong.

Our Farming For Fun programme involved Towngas volunteers, accompanied by friends and family members, taking part in organic farming activities during weekends. Their produce was then donated to NGOs, who distribute it amongst the needy. The programme, earned the Outstanding Award in the Social Welfare Department's 2013-2014 Best Corporate Volunteer Service Project Competition.

Our newly launched initiative – Toilet Washlets for the Elderly programme was well-received by elderly beneficiaries and their carers. The programme enhances the independence of senior citizens – particularly those with limited mobility or poor eyesight – in their daily lives, through installing electrical toilet washlets with washing functions in elderly hostels. A total of 100 washlets had been installed by the end of 2014, bringing convenience to the elderly.

Towngas was involved in wide-ranging outreach schemes across mainland China in 2014. In the Companionship for Resident Children Programme, our volunteers visited the impoverished mountain areas in Chongqing for half a year. There they provided homework tutorials and gave everyday assistance to

children at the Home of Happiness and Peace, launched by the Beijing Global Village Environmental Education Centre to care for the rural children there and remould their village community.

Under the campaign of Gentle Breeze Movement, launched in 2013, we organised community activities in Xuzhou, Weifang and Jinan in 2014, donating stationery and daily supplies worth around RMB 720,000 in total to 13 primary schools.

### Caring for the Well-being of Our Employees

We believe the key to retaining talents and driving success is to care for the overall health and happiness of staff. By building a pleasant and harmonious corporate culture, we are rewarded with a motivated workforce.

Around HK\$200,000 raised through our "Mad Dog Café" programme has helped us deliver smart electrical toilet washlets in elderly hostels.





An indoor rowing competition was part of our Fun Living Series campaign aimed at enhancing employees' overall health and work-life balance.

In 2014, our Fun Living Series campaign was launched, with the theme of encouraging employees to cultivate a positive mindset and spirit as regards their health, work and family lives. Activities organised included: workshops on positive psychology, yoga at work, organic farming, rowing competition, health talks, and seminars about harmonious working relationships and children's emotional intelligence.

The Towngas Buddy Club, established in 2012 to provide opportunities for our retirees to get together and have fun with former colleagues, organised a number of activities in 2014, including day trips, buffet lunches, dinners and seminars.

Specific initiatives launched in 2014 by Towngas China included a health hotline, a scholarship programme for the children of staff, an Employee Assistance Programme and themed events including My Healthy Life, My Low Carbon Life and My Happiness.

### Developing Our People

In our continued efforts to ensure we are equipped with a sustainable and skilled workforce to meet the challenges of an ever-developing and expanding business, we allocate significant resources towards ongoing management, leadership and technical training. To support "Expanding New Horizons", our management theme since 2013, last year we continued to invest in our people to enhance their capabilities and provide opportunities for career development.

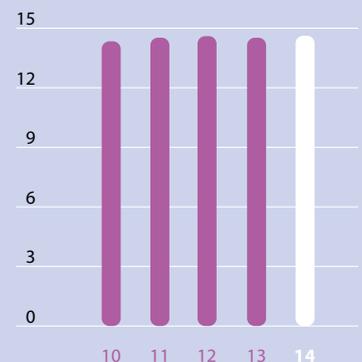
### Revenue per Employee

Company (HK\$ thousand)



### Town Gas Sales per Employee

Company (million MJ)



Our volunteers visited mountain areas in Chongqing and provided mentoring to local children under the Companionship for Resident Children Programme.



Having started in 2008, last year saw the launch of the third round of TLC+, our Corporate Leadership Development programme. A total of 20 good performing and high-potential middle management level employees from different business units were selected by a panel of senior executives to join this intensive 18-month fast-track development programme, which allows us to develop talents from within the group. The programme helps create a solid management foundation for the future, with management succession across all group ventures a key strategic priority.

In April 2014, Towngas co-operated with the Hong Kong Management Association to offer a series of leadership training workshops for

22 of our mainland managers, demonstrating our commitment to standardising the quality of management across the Group.

We ran a two-day in-house management programme targeted at helping middle-level technical managers transition into more senior managerial roles. Six classes were offered, involving 125 participants from across all pillars of the Group and from all regions. A Train-the-Trainer programme has been initiated for 2015 in order to roll out this core management skills programme to all our mainland companies. We also initiated a new general manager training programme on the mainland, with high-potential employees identified and provided with appropriate training.

Our Leading Others series was launched in 2012 with the aim of enhancing the people management and leadership competencies of our supervisory and managerial employees. In 2014, the programme offered a total of 12,000 training hours, representing another huge commitment to nurturing leaders within our ranks.

Our Graduate Trainee programme was accredited by the Institution of Gas Engineers and Managers, a UK-based professional engineering institution, as suitable for Initial Professional Development for Chartered Engineers. In 2014, Towngas hired 13 Graduate Trainees in Hong Kong who are now attached to various streams and departments in order to strengthen their technical knowledge and skills. Similar training schemes are being launched across our mainland businesses.

The Towngas Engineering Academy (TEA) – which strives to develop a competent workforce that drives the Group to excel in delivering safe operations, serve our customers and grow our business – is now implementing an internationally recognised engineering training system of its own for engineers both in Hong Kong and mainland China. TEA completed a total of 168,480 training hours in 2014.

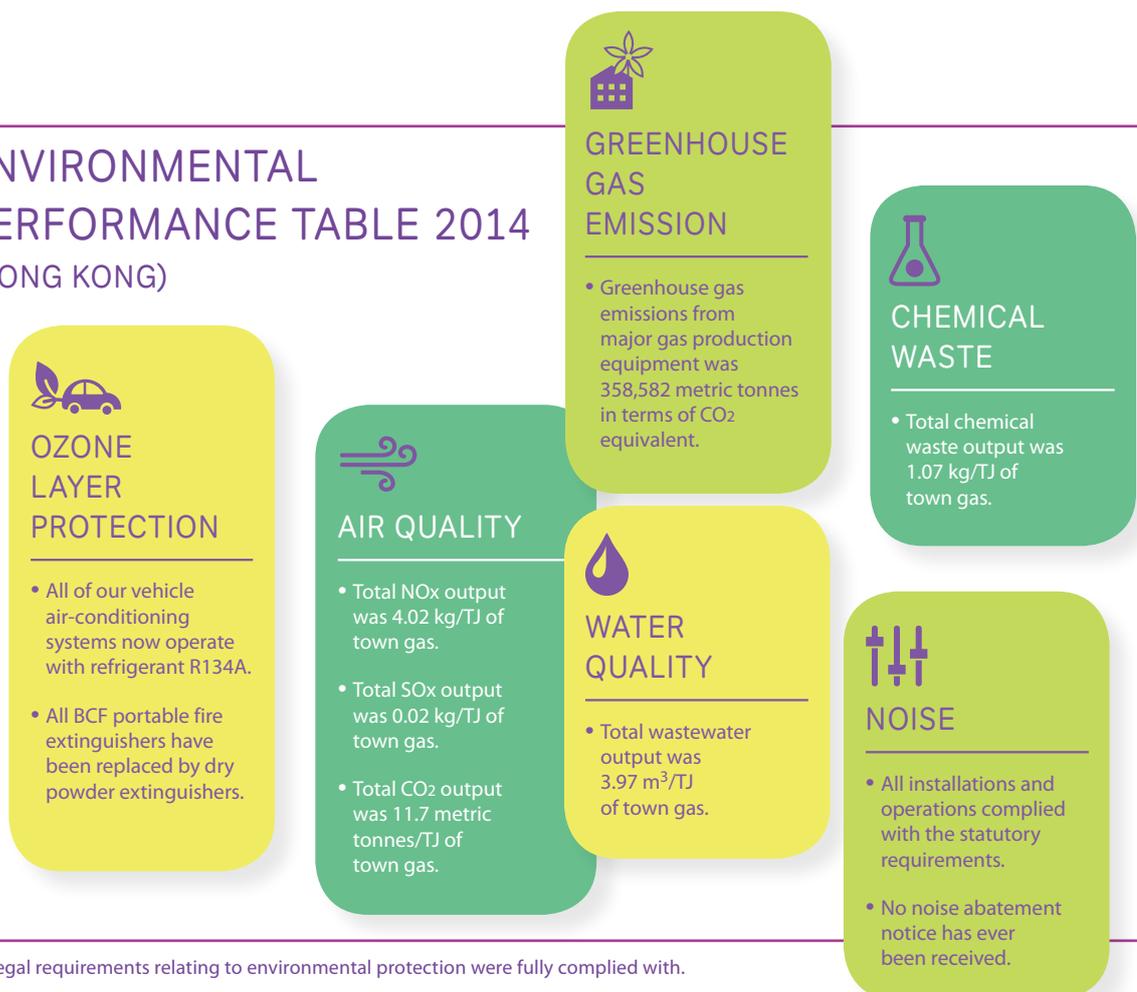
Rigorous yet efficient recruitment processes are essential to ensure that we hire talented people with the skill sets required to continue to develop our business in the right direction, and in 2014 we piloted a workshop on Competency-based Interviewing Skills for our senior executives. Additional programmes will be launched in 2015 to enhance the expertise of managers in this area.

## Putting Safety First

The health and safety of our employees, contractors, customers and the wider public has always been our highest priority.

In our ongoing commitment to improving safety performance, in 2014 we developed and implemented a Senior Management Regular Health, Safety and

## ENVIRONMENTAL PERFORMANCE TABLE 2014 (HONG KONG)



Environment (HSE) Inspection Programme to establish direct communication between management and frontline staff on HSE matters and collect site information for planning HSE resource needs.

In April 2014, three Towngas employees were honoured in the government’s Hong Kong Outstanding Employees in Occupational Safety and Health Award Scheme. Towngas also won 10 awards in the Hong Kong Occupational Safety & Health Awards, including Safety Enhancement Programme Award, Safety Culture Award and Occupational Safety and Health Annual Report Award.

In our ECO business, in 2014 we established guidelines on the inspection of fire services installations in mainland operations and reinforced safety management systems in mainland construction projects. Fire Safety and Risk Management Training courses were organised for our mainland employees to introduce the guidelines and management systems.

### Driving Growth and Building Long Term Value

The bedrock of our success is a commitment to providing a safe

and reliable supply of energy, as well as the caring, competent and efficient delivery that customers expect of us. As a result, the Towngas brand has come to stand for acclaimed service and safety standards, thriving and expertly-managed business operations, and a promise to work responsibly in and for our communities.

Building on these strong foundations, our management theme “Expanding New Horizons” articulates how we are approaching the next stage of our growth. This multidimensional and multifaceted strategy is driving a future that is sustainable, flexible and diversified.

As a Group, we are inspired by the enormous potential of new technology and engineering innovations and the economic benefits these can bring. Our investments in new energy and diversified upstream and downstream projects are fundamental to our overall strategy and our response to global energy trends. In the year ahead, we will continue to focus on organic growth, expansion into new markets and providing forward-thinking solutions that make sense in an ever-evolving energy economy.



## Liquidity and Capital Resources

As at 31st December 2014, the Group had a net current deposits position of HK\$6,106 million (31st December 2013: HK\$3,916 million) and long-term borrowings of HK\$24,484 million (31st December 2013: HK\$24,401 million). In addition, banking facilities available for use amounted to HK\$11,400 million (31st December 2013: HK\$11,200 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, debt and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

## Financing Structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US\$2 billion. Up to 31st December 2014, the Group issued notes in the total amount of HK\$10,360 million (31st December 2013: HK\$10,210 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2014 was HK\$9,748 million (31st December 2013: HK\$9,789 million).

As at 31st December 2014, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2013:

US\$995 million) and the carrying value was HK\$7,675 million (31st December 2013: HK\$7,663 million).

As at 31st December 2014, the Group's borrowings amounted to HK\$31,534 million (31st December 2013: HK\$30,623 million). While the Notes mentioned above together with the bank and other loans of HK\$1,326 million (31st December 2013: HK\$1,360 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$6,446 million (31st December 2013: HK\$5,614 million) were long-term bank loans and HK\$6,339 million (31st December 2013: HK\$6,197 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2014, the maturity profile of the Group's borrowings was 22 per cent within 1 year, 17 per cent within 1 to 2 years, 35 per cent within 2 to 5 years and 26 per cent over 5 years (31st December 2013: 20 per cent within 1 year, 8 per cent within 1 to 2 years, 44 per cent within 2 to 5 years and 28 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders' funds + perpetual capital securities + net borrowing)] for the Group as at 31st December 2014 remained healthy at 25 per cent (31st December 2013: 29 per cent).

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") amounting to US\$300 million with distribution rate of 4.75 per cent per annum for the first five years and

thereafter at floating distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, the Perpetual Capital Securities are redeemable at the Group's option on or after 28th January 2019 and are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps strengthen the Group's balance sheet, improve its financing maturity profile and diversify its funding sources.

## Contingent Liabilities

As at 31st December 2014 and 2013, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

## Currency Profile

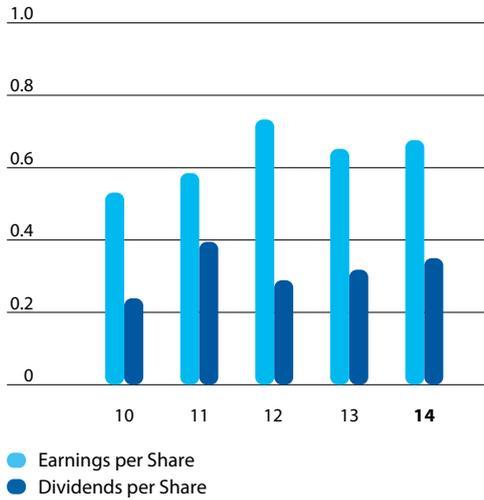
The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

## Group's Investments in Securities

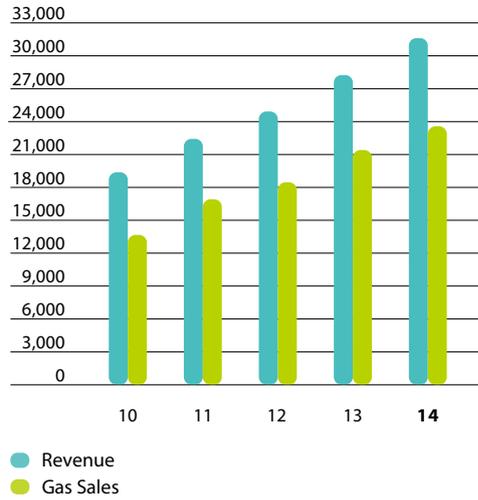
Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2014, the investments in securities amounted to HK\$3,319 million (31st December 2013: HK\$3,599 million). The performance of the Group's investments in securities was satisfactory.

# FIVE-YEAR FINANCIAL STATISTICS

## Earnings and Dividends per Share (HK\$)



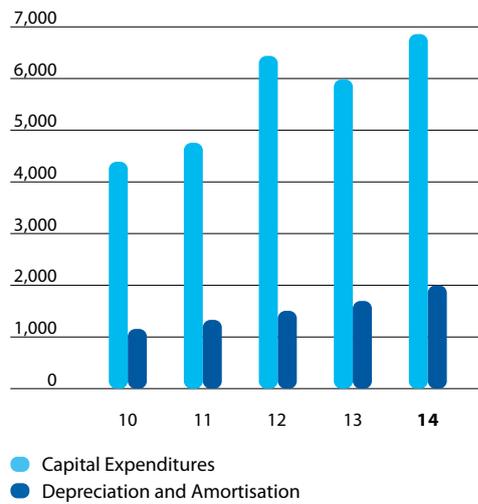
## Revenue and Gas Sales (HK\$ million)



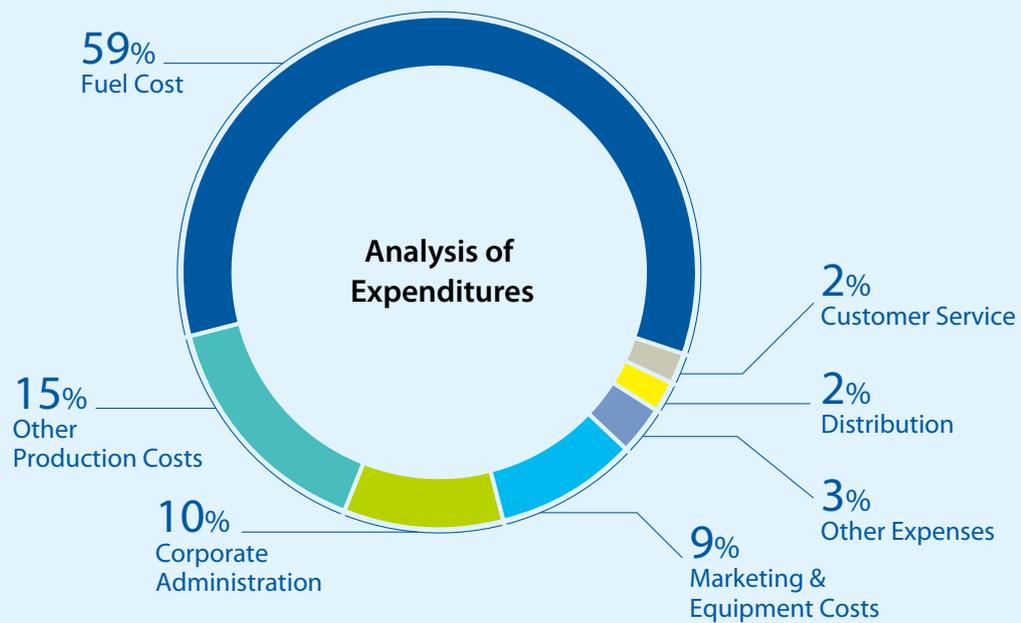
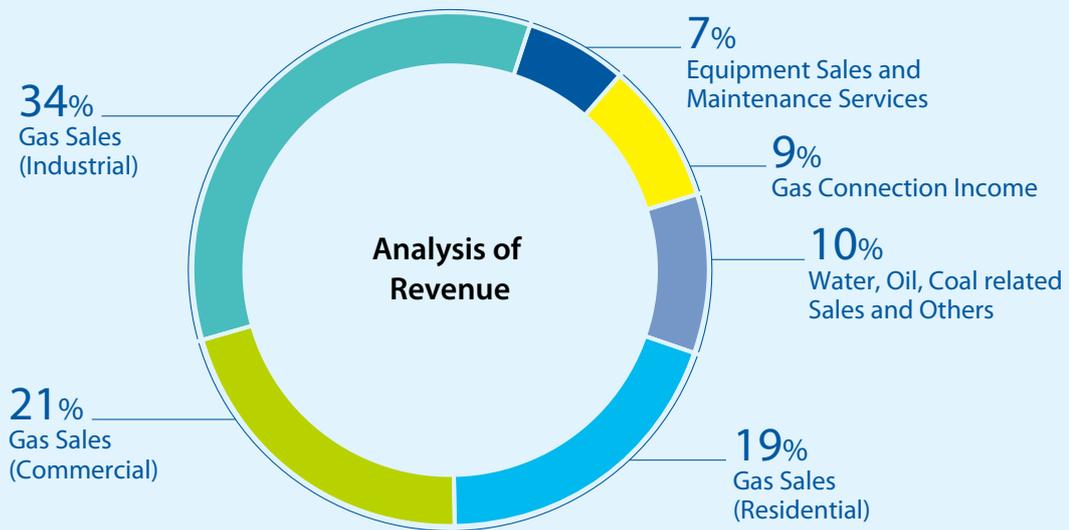
## Property, Plant, Equipment and Leasehold Land (HK\$ million)



## Capital Expenditures (HK\$ million)



# 2014 FINANCIAL ANALYSIS



# COMPARISON OF TEN-YEAR RESULTS

	2014	2013	2012
<b>Highlights (Company)</b>			
Number of Customers as at 31st December	1,819,935	1,798,731	1,776,360
Town Gas Sales, million MJ	28,835	28,556	28,360
Installed Capacity, thousand m <sup>3</sup> per day	12,260	12,260	12,260
Maximum Daily Demand, thousand m <sup>3</sup>	6,571	6,283	6,403
<b>Revenue and Profit</b>	<b>HK\$'M</b>	<b>HK\$'M</b>	<b>HK\$'M</b>
Revenue	31,614.7	28,245.9	24,922.5
Profit before Taxation	9,874.6	9,410.8	9,885.6
Taxation	(1,771.4)	(1,655.2)	(1,484.6)
Profit after Taxation	8,103.2	7,755.6	8,401.0
Holders of Perpetual Capital Securities	(102.2)	–	–
Non-controlling Interests	(891.8)	(901.8)	(688.9)
Profit Attributable to Shareholders	7,109.2	6,853.8	7,712.1
Dividends	3,679.7	3,345.9	3,041.7
<b>Assets and Liabilities</b>			
Property, Plant, Equipment and Leasehold Land	51,353.6	47,002.3	41,914.1
Investment Property	683.0	646.0	540.0
Intangible Assets	5,858.5	5,253.3	3,845.4
Associates	17,572.5	17,015.1	16,307.1
Joint Ventures	9,033.8	8,939.0	9,103.6
Available-for-sale Financial Assets	2,599.7	2,937.3	3,078.6
Other Non-current Assets	2,668.3	2,913.5	2,710.6
Current Assets	24,641.5	21,688.7	21,437.8
Current Liabilities	(20,689.6)	(19,261.8)	(17,252.9)
Non-current Liabilities	(31,497.6)	(30,762.9)	(31,334.1)
<b>Net Assets</b>	<b>62,223.7</b>	<b>56,370.5</b>	<b>50,350.2</b>
<b>Capital &amp; Reserves</b>			
Share Capital	5,474.7	2,389.9	2,172.6
Share Premium	–	2,861.0	3,078.3
Reserves	44,735.7	42,418.0	37,952.1
Proposed Dividend	2,417.8	2,198.7	1,998.8
<b>Shareholders' Funds</b>	<b>52,628.2</b>	<b>49,867.6</b>	<b>45,201.8</b>
<b>Perpetual Capital Securities</b>	<b>2,353.8</b>	<b>–</b>	<b>–</b>
<b>Non-controlling Interests</b>	<b>7,241.7</b>	<b>6,502.9</b>	<b>5,148.4</b>
<b>Total Equity</b>	<b>62,223.7</b>	<b>56,370.5</b>	<b>50,350.2</b>
Earnings per Share, HK Dollar *	0.68	0.65	0.73
Dividends per Share, HK Dollar *	0.35	0.32	0.29
Dividend Cover	1.93	2.05	2.54

\* Adjusted for the bonus issue in 2014

	2011	2010	2009	2008	2007	2006	2005
	1,750,553	1,724,316	1,698,723	1,672,084	1,646,492	1,622,648	1,597,273
	28,147	27,578	27,274	27,583	27,041	27,034	27,261
	12,260	12,260	12,260	12,260	12,260	12,260	12,050
	6,742	6,191	6,621	7,158	5,806	6,279	6,614
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
	22,426.8	19,375.4	12,351.8	12,352.2	14,225.5	13,465.3	9,350.9
	8,068.7	7,086.7	6,159.9	5,189.6	10,577.3	6,986.4	6,047.3
	(1,344.0)	(1,038.8)	(750.6)	(546.3)	(933.8)	(914.6)	(628.6)
	6,724.7	6,047.9	5,409.3	4,643.3	9,643.5	6,071.8	5,418.7
	-	-	-	-	-	-	-
	(575.1)	(463.1)	(134.2)	(92.3)	(64.1)	(27.0)	(10.4)
	6,149.6	5,584.8	5,275.1	4,551.0	9,579.4	6,044.8	5,408.3
	4,147.8	2,513.8	2,285.3	2,333.0	2,120.9	1,928.1	1,935.7
	33,606.3	27,825.8	24,452.6	15,638.0	13,585.7	12,864.7	11,067.0
	518.0	501.0	501.0	523.0	410.0	-	-
	3,434.8	2,575.6	2,461.7	196.4	185.1	48.6	45.8
	12,706.8	10,802.2	9,304.0	11,327.7	9,016.6	3,817.8	2,239.5
	8,964.7	7,768.8	7,011.2	6,164.0	6,501.7	5,815.0	5,197.5
	3,110.6	3,441.2	2,996.0	1,105.2	1,066.9	848.5	768.0
	2,734.5	2,791.9	722.7	153.8	148.0	100.7	-
	19,955.1	16,957.6	19,622.3	17,708.2	12,961.2	13,028.2	10,457.7
	(13,403.4)	(16,523.4)	(10,628.8)	(5,407.7)	(7,188.3)	(7,141.0)	(8,182.5)
	(25,353.3)	(14,932.1)	(18,635.4)	(14,989.7)	(6,517.0)	(7,803.5)	(4,570.1)
	46,274.1	41,208.6	37,807.3	32,418.9	30,169.9	21,579.0	17,022.9
	1,975.1	1,795.6	1,632.3	1,666.4	1,514.9	1,377.2	1,377.2
	3,275.8	3,455.3	3,618.6	3,618.6	3,770.1	3,907.8	3,907.8
	33,075.4	30,561.3	27,112.3	24,752.6	22,769.1	14,502.5	10,042.5
	3,199.7	1,651.9	1,501.8	1,533.1	1,393.7	1,267.0	1,267.0
	41,526.0	37,464.1	33,865.0	31,570.7	29,447.8	21,054.5	16,594.5
	-	-	-	-	-	-	-
	4,748.1	3,744.5	3,942.3	848.2	722.1	524.5	428.4
	46,274.1	41,208.6	37,807.3	32,418.9	30,169.9	21,579.0	17,022.9
	0.59	0.53	0.50	0.43	0.90	0.57	0.51
	0.40	0.24	0.22	0.22	0.20	0.18	0.18
	1.48	2.22	2.31	1.95	4.52	3.14	2.79

# REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders their Report and the Audited Accounts for the year ended 31st December 2014 which are to be presented at the Annual General Meeting to be held at Meeting Room N101 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong on Monday, 1st June 2015.

## Principal Activities

The principal activities of the Group are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and mainland China. Particulars of the principal subsidiaries of the Company are shown on pages 164 to 172 of this Annual Report. Revenue and contribution to operating profit are mainly derived from activities carried out in Hong Kong and mainland China.

## Results and Appropriations

The results of the Group for the year ended 31st December 2014 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 78 and 79 of this Annual Report respectively.

An interim dividend of HK12 cents per share was paid to shareholders on 3rd October 2014 and the Directors recommend a final dividend of HK23 cents per share payable on 17th June 2015 to shareholders whose names are on the register of members on 9th June 2015.

## Bonus Issue of Shares

The Directors recommend a bonus issue of shares on the basis of one bonus share for every ten existing shares held by the shareholders of the Company whose names are on the register of members on 9th June 2015. The bonus issue is subject to the conditions and trading arrangements set out in the circular despatched together with this Annual Report.

## Financial Summary

A summary of the results of the Group for the past nine financial years is set out on pages 56 and 57 of this Annual Report.

## Reserves

Movements in reserves of the Group and the Company during the year are set out in Note 39 to the Accounts.

The distributable reserves of the Company as at 31st December 2014 amounted to HK\$10,412,600,000 (2013: HK\$10,644,800,000) before the proposed final dividend for the year ended 31st December 2014.

## Property, Plant and Equipment

Movements in property, plant and equipment of the Group and the Company are shown in Note 17 to the Accounts.

## Share Capital

Movements in share capital of the Company are shown in Note 36 to the Accounts.

## Borrowings

Particulars of the borrowings of the Group are provided in Note 32 to the Accounts.

## Charitable Donations

Charitable donations made by the Company and its subsidiaries, operating mainly in mainland China, amounted to HK\$29,500,000 and HK\$4,700,000 (2013: HK\$54,500,000 and HK\$4,100,000) respectively in 2014.

## Directors

The Directors of the Company during the financial year and up to the date of this report are:

### Non-executive Directors

Dr. the Hon. LEE Shau Kee (Chairman)  
 Mr. Colin LAM Ko Yin  
 Mr. LEE Ka Kit  
 Mr. LEE Ka Shing

### Independent Non-executive Directors

Mr. LEUNG Hay Man  
 Dr. the Hon. David LI Kwok Po  
 Professor POON Chung Kwong

### Executive Directors

Mr. Alfred CHAN Wing Kin  
 Mr. Peter WONG Wai Yee

At the annual general meeting held on 4th June 2014 (the "2014 AGM"), Dr. the Hon. David Li Kwok Po, Mr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Peter Wong Wai Yee were re-elected as Directors of the Company. Dr. the Hon. Lee Shau Kee, Mr. Leung Hay Man, Mr. Colin Lam Ko Yin, Mr. Alfred Chan Wing Kin and Professor Poon Chung Kwong held office throughout the year.

According to the new Articles of Association of the Company (the "New Articles of Association") approved and adopted by the shareholders of the Company at the 2014 AGM, one-third of all the directors are subject to retirement by rotation at every annual general meeting. Pursuant to Article 97 of the New Articles of Association, Dr. the Hon. Lee Shau Kee, Professor Poon Chung Kwong and Mr. Alfred Chan Wing Kin are due to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Details of these directors proposed for re-election are set out in the circular sent together with this Annual Report.

## Biographical Details of Directors

The biographical details of Directors and senior management who are also executive directors are set out on pages 15 to 18 of this Annual Report.

## Disclosure of Interests

### A. Directors

As at 31st December 2014, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

#### Shares and Underlying Shares (Long Positions)

Name of Company	Name of Director	Interest in Shares				Interest in Underlying Shares Pursuant to Share Options	Aggregate Interest	%*
		Personal Interests	Family Interests	Corporate Interests	Other Interests			
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Chau Kee			4,364,016,823 (Note 3)			4,364,016,823	41.51
	Dr. the Hon. David Li Kwok Po	29,311,282					29,311,282	0.28
	Mr. Lee Ka Kit				4,364,016,823 (Note 2)		4,364,016,823	41.51
	Mr. Alfred Chan Wing Kin	200,371 (Note 5)					200,371	0.00
	Mr. Lee Ka Shing				4,364,016,823 (Note 2)		4,364,016,823	41.51
	Professor Poon Chung Kwong	136,906 (Note 4)					136,906	0.00
Lane Success Development Limited	Dr. the Hon. Lee Chau Kee			9,500 (Note 6)			9,500	95
	Mr. Lee Ka Kit				9,500 (Note 6)		9,500	95
	Mr. Lee Ka Shing				9,500 (Note 6)		9,500	95
Yieldway International Limited	Dr. the Hon. Lee Chau Kee			2 (Note 7)			2	100
	Mr. Lee Ka Kit				2 (Note 7)		2	100
	Mr. Lee Ka Shing				2 (Note 7)		2	100
Towngas China Company Limited ("Towngas China")	Dr. the Hon. Lee Chau Kee			1,642,489,654 (Note 8)			1,642,489,654	62.39
	Mr. Lee Ka Kit				1,642,489,654 (Note 8)		1,642,489,654	62.39
	Mr. Lee Ka Shing				1,642,489,654 (Note 8)		1,642,489,654	62.39
	Mr. Alfred Chan Wing Kin					3,618,000 (Note 9)	3,618,000	0.14
	Mr. Peter Wong Wai Yee					3,015,000 (Note 9)	3,015,000	0.11

\* Percentage which the aggregate long position in the shares or underlying shares represents to the number of issued shares of the Company or any of its associated corporations.

## Disclosure of Interests (Continued)

### A. Directors (Continued)

#### Options to Subscribe for Shares of Towngas China (Long Positions)

Pursuant to the share option scheme of Towngas China, a subsidiary of the Company, certain Directors of the Company have been granted options to subscribe for the shares of Towngas China, details of which as at 31st December 2014 were as follows:

Name of Company	Name of Director	Date of Grant	Exercise Period	Exercise Price (HK\$)	Number of Shares of Towngas China Subject to Outstanding Options as at 01.01.2014*	Number of Shares of Towngas China Subject to Outstanding Options as at 31.12.2014*
Towngas China	Mr. Alfred Chan Wing Kin	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	1,085,400
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	1,085,400
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	1,447,200
	Total				3,618,000	3,618,000
Towngas China	Mr. Peter Wong Wai Yee	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000
	Total				3,015,000	3,015,000

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Save as mentioned above, as at 31st December 2014, there were no other interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Disclosure of Interests (Continued)

### B. Substantial Shareholders and Others (Long Positions)

As at 31st December 2014, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Company	No. of Shares in which Interested	%*
<b>Substantial Shareholders</b> (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	2,429,459,749	23.11
	Timpani Investments Limited (Note 1)	3,373,077,283	32.09
	Faxson Investment Limited (Note 1)	4,364,016,823	41.51
	Henderson Land Development Company Limited (Note 1)	4,364,016,823	41.51
	Henderson Development Limited (Note 1)	4,364,016,823	41.51
	Hopkins (Cayman) Limited (Note 2)	4,364,016,823	41.51
	Riddick (Cayman) Limited (Note 2)	4,364,016,823	41.51
	Rimmer (Cayman) Limited (Note 2)	4,364,016,823	41.51
<b>Persons other than Substantial Shareholders</b>	Macrostar Investment Limited (Note 1)	990,939,540	9.43
	Chelco Investment Limited (Note 1)	990,939,540	9.43
	Medley Investment Limited (Note 1)	943,617,534	8.98
	Commonwealth Bank of Australia (Note 10)	598,299,635	5.69

\* Percentage which the aggregate long position in the shares represents to the number of issued shares of the Company.

Save as mentioned above, as at 31st December 2014, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

#### Notes:

- These 4,364,016,823 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
- These 4,364,016,823 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Mr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
- These 4,364,016,823 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Chau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
- These 136,906 shares were jointly held by Professor Poon Chung Kwong and his spouse.
- These 200,371 shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.
- These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. the Hon. Lee Chau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
- These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. the Hon. Lee Chau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
- These 1,642,489,654 shares in Towngas China representing 62.39% of the total issued shares in Towngas China were beneficially owned by Hong Kong & China Gas (China) Limited (as to 1,599,141,814 shares), Planwise Properties Limited (as to 40,825,858 shares) and Superfun Enterprises Limited (as to 2,521,982 shares), wholly-owned subsidiaries of the Company. Dr. the Hon. Lee Chau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
- These options represent personal interests held by the Directors.
- The Company has been notified that Commonwealth Bank of Australia ("Commonwealth Bank") was taken to be interested in these 598,299,635 shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank as at 31st December 2014. Referring to their previous notice dated 5th March 2014 of holding 479,526,700 shares as recorded in the Company's register, such increase in shareholding was not required to be disclosed under Part XV of the SFO.

## Share Option Scheme of Towngas China

Pursuant to a share option scheme adopted by the shareholders of Towngas China at an extraordinary general meeting held on 28th November 2005 ("2005 Main Board Scheme"), options may be granted to the directors or employees of Towngas China or its subsidiaries, for the recognition of their contributions to the Towngas China Group, to subscribe for shares in Towngas China. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares of Towngas China on the Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the shares of Towngas China on the Exchange on the date of grant or the nominal value of the shares of Towngas China.

The 2005 Main Board Scheme will remain in force for a period of 10 years commencing on 28th November 2005.

The share options under the 2005 Main Board Scheme are exercisable at any time for a period to be determined by the directors of Towngas China, which shall not be more than 10 years after the date of grant.

Options granted under the 2005 Main Board Scheme must be taken up within 28 days of the date of grant, upon payment of HK\$1.00 per grant.

The total number of shares of Towngas China in respect of which options may be granted under the 2005 Main Board Scheme is not permitted to exceed 10% of the shares of Towngas China in issue on the date of approval of the 2005 Main Board Scheme without prior approval from Towngas China's shareholders. No option may be granted in any 12-month period to any one grantee which if exercised in full would result in the total number of shares of Towngas China already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the total number of shares of Towngas China in issue.

As at the date of this report, the outstanding number of shares of Towngas China in respect of which options had been granted under the 2005 Main Board Scheme was 11,015,800 (2013: 13,535,800), representing approximately 0.42% (2013: approximately 0.52%) of the issued share capital of Towngas China as at the date of this report.

Details of specific categories of options of Towngas China are as follows:

Option Types	Date of Grant	Exercise Period	Exercise Price (HK\$)
<b>2005 Main Board Scheme:</b>			
2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796
	03.10.2006	04.04.2008 – 27.11.2015	2.796
	03.10.2006	04.10.2008 – 27.11.2015	2.796
2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811
	16.03.2007	16.03.2009 – 27.11.2015	3.811
	16.03.2007	16.03.2010 – 27.11.2015	3.811

## Share Option Scheme of Towngas China (Continued)

The details of movements in the share options of Towngas China during the year are as follows:

	Option Types	Date of Grant	Exercise Period	Exercise Price (HK\$)	Number of Shares of Towngas China Subject to Outstanding Options as at 01.01.2014	Exercised during the Year	Number of Shares of Towngas China Subject to Outstanding Options as at 31.12.2014	Weighted Average Closing Price of Shares of Towngas China Immediately before the Date(s) on which Options were Exercised (HK\$)	
<b>Category 1: Directors of Towngas China</b>									
Mr. Alfred Chan Wing Kin	Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
			16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
			16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	–	1,447,200	–
Mr. Peter Wong Wai Yee	Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
			16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–	904,500	–
			16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–	1,206,000	–
Other directors of Towngas China	Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
			16.03.2007	16.03.2009 – 27.11.2015	3.811	1,213,500	309,000	904,500	9.06
			16.03.2007	16.03.2010 – 27.11.2015	3.811	2,412,000	1,206,000	1,206,000	9.06
<b>Total for Category 1</b>					11,163,000	1,515,000	9,648,000		
<b>Category 2: Employees of Towngas China</b>									
	Options	2006	03.10.2006	04.10.2007 – 27.11.2015	2.796	301,500	180,900	120,600	9.19
			03.10.2006	04.04.2008 – 27.11.2015	2.796	542,700	19,100	523,600	9.19
			03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	–	723,600	–
	Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	301,500	301,500	–	9.20
			16.03.2007	16.03.2009 – 27.11.2015	3.811	301,500	301,500	–	9.20
			16.03.2007	16.03.2010 – 27.11.2015	3.811	402,000	402,000	–	9.20
<b>Total for Category 2</b>					2,572,800	1,205,000	1,367,800		
<b>All categories</b>					13,735,800	2,720,000	11,015,800		

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the year, no share option was cancelled or had lapsed.
3. During the year, no new option was granted.

## Arrangements to Purchase Shares or Debentures

Other than the share option scheme of Towngas China disclosed above, at no time during the year was the Company or any of its subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interests of Directors of the Company in businesses which might compete with the Group during the year ended 31st December 2014 and as at 31st December 2014 were as follows:

Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee, Directors of the Company, have held directorships in companies engaged in the same businesses of production, distribution and marketing of gas in mainland China as the Group. Although some of the businesses carried out by these companies are similar to the businesses carried out by the Group, they are of different scale and/or at different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies. Therefore, the Board is of the view that the businesses of those companies did not compete with the businesses of the Group.

## Service Contracts

No Director proposed for re-election at the forthcoming Annual General Meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## Interests In Contracts and Connected Transactions

During the year, the Company had the following connected transaction which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules since each of the applicable percentage ratios was less than 5%:

As disclosed in an announcement dated 19th February 2014, U-Tech Engineering Company Limited, a wholly-owned subsidiary of the Company, had by signing and returning to Heng Shung Construction Co. Ltd. ("Heng Shung"), a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"), a letter of award on 19th February 2014 successfully tendered for a sub-contract for the carrying out of the supply and installation of electrical equipment and the testing and commissioning of electrical systems at Phases 4B, 5A and 5B of the comprehensive development situated at Shatin Town Lot No. 502, Lok Wo Sha, Ma On Shan, New Territories, Hong Kong at the maximum aggregate amount of not exceeding HK\$60,200,000 for Heng Shung. As Heng Shung is a wholly-owned subsidiary of HLD, which in turn is a controlling shareholder of the Company, Heng Shung is a connected person of the Company under the Listing Rules and the aforesaid transaction therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

The related party transactions set out in Note 42 to the Accounts include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as mentioned above, no contract of significance in relation to the Group's business to which any controlling shareholder of the Company or any of its subsidiaries was a party, or in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the year, the Company repurchased 3,548,000 shares on the Exchange at an aggregate consideration of HK\$60,199,960 before expenses. The repurchased shares were subsequently cancelled. The repurchases were effected by the Directors for the enhancement of shareholders' value in the long term. Details of the shares repurchased were as follows:

Month of Repurchase	Number of Shares Repurchased	Price per Share		Aggregate Consideration Paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
October 2014	3,548,000	17.02	16.88	60,199,960

Save as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

## Major Customers and Suppliers

The percentages of the purchases attributable to the Group's largest supplier and the five largest suppliers were 16 per cent and 55 per cent respectively during the year. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5 per cent of the Company's share capital) had any interest in the Group's five largest suppliers. The percentage of the turnover attributable to the Group's five largest customers is less than 30 per cent during the year.

## Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 67 to 76 of this Annual Report.

## Public Float

As at the date of this report, being also the latest practicable date prior to the issue of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## Auditor

The Accounts have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment at a fee to be agreed by the Board.

On behalf of the Board

## LEE Shau Kee

Chairman

Hong Kong, 18th March 2015

The Board of Directors of the Company (the “Board”) is committed to maintaining good corporate governance. The Board believes that good corporate governance principles and practices should emphasise accountability and an increase in transparency which will enable the Group’s stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs and to fulfil its social responsibility.

## Corporate Governance Practices

During the year ended 31st December 2014, the Company complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The below sets out the corporate governance principles and practices adopted by the Group which indicate how the Group has applied relevant principles in the Code.

## Board of Directors

### Responsibilities of Directors

The Board is ultimately accountable for the Group’s activities, strategies and financial performance, which includes formulating business development strategies, directing and supervising the Group’s affairs, reviewing the accounts and budget proposal of the Group, approving interim reports and annual reports and announcements of interim results and annual results, considering dividend policy, reviewing the effectiveness of the internal control systems and so on.

The management team is responsible for the day-to-day management, administration and operation of the Group. The Board gives clear directions to the management team as to their powers of management, and circumstances in which the management team should report back.

Newly appointed Directors will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Group’s structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarise with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Group.

To ensure that Directors’ contribution to the Board/committees remains informed, continuous professional development are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. Directors are also provided with monthly updates of the Group’s development, and information such as performance and key operational highlights to enable the Board as a whole and each Director to discharge their duties.

All Directors have participated in appropriate continuous professional development and provided the Company with their records of training they received for the year ended 31st December 2014.

During the year ended 31st December 2014, all Directors participated in the training which included reading regulatory updates or information relevant to the Group or its business and attending or giving talks at seminars and/or conferences.

**Board of Directors** (Continued)**Responsibilities of Directors** (Continued)

Directors	Training
<b>Non-executive Directors</b>	
Dr. the Hon. LEE Shau Kee (Chairman)	✓
Mr. Colin LAM Ko Yin	✓
Mr. LEE Ka Kit	✓
Mr. LEE Ka Shing	✓
<b>Independent Non-executive Directors</b>	
Mr. LEUNG Hay Man	✓
Dr. the Hon. David LI Kwok Po	✓
Professor POON Chung Kwong	✓
<b>Executive Directors</b>	
Mr. Alfred CHAN Wing Kin	✓
Mr. Peter WONG Wai Yee	✓

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in other listed companies or nature of offices held in public organisations and other significant commitment. The Company has also requested the Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment.

Appropriate insurance cover on Directors' liabilities has been in force to protect the Directors of the Group from their risks arising from the businesses of the Group.

**Corporate Governance Functions**

The Board is responsible for the Group's system of corporate governance and has performed and reviewed in a timely manner the corporate governance functions as required under the Code. During the year ended 31st December 2014, the Board reviewed the Company's policies and practices on corporate governance and the disclosure in the Corporate Governance Report. The terms of reference for performing the corporate governance functions as set out in the Code were approved by the Board for adoption.

**Board Diversity Policy**

The Board adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, cultural and educational background, ethnicity, age and gender. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

## Board of Directors (Continued)

### Board Composition

The Board currently has two Executive Directors and seven Non-executive Directors. Three of the seven Non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

As at the date of publication of this Annual Report, the Directors of the Company are set out below:

#### Non-executive Directors

Dr. the Hon. LEE Shau Kee (Chairman)

Mr. Colin LAM Ko Yin

Mr. LEE Ka Kit

Mr. LEE Ka Shing

#### Independent Non-executive Directors

Mr. LEUNG Hay Man

Dr. the Hon. David LI Kwok Po

Professor POON Chung Kwong

#### Executive Directors

Mr. Alfred CHAN Wing Kin

Mr. Peter WONG Wai Yee

The Company received from each of the Independent Non-executive Directors confirmation in writing of their independence pursuant to Rule 3.13 of the Listing Rules and considered them as independent.

Biographical details of the Directors and relevant relationships among them are set out on pages 15 to 18 of this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors.

According to the new Articles of Association of the Company (the "New Articles of Association") approved and adopted by the shareholders of the Company at the Annual General Meeting held on 4th June 2014 ("2014 AGM"), one-third of all the directors are subject to retirement by rotation at every annual general meeting. Subject to the provisions contained in the New Articles of Association, the term of office of all Non-executive Directors (including Independent Non-executive Directors) shall expire on 31st December 2017.

### Chairman of the Board and Managing Director

The Chairman of the Board is Dr. the Hon. Lee Shau Kee and the Managing Director is Mr. Alfred Chan Wing Kin. The roles of the Chairman of the Board and the Managing Director are separate and are not performed by the same individual. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of Executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive, in a timely manner, adequate and reliable information. The Managing Director is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board. Their respective responsibilities are clearly established and set out in writing.

## Board of Directors (Continued)

### Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association as altered by the Company from time to time (the "Articles of Association").

During the year ended 31st December 2014, the Board met four times. The attendance of each Director at the Board meetings during the year ended 31st December 2014 is set out below:

Directors	No. of Meetings Attended / Held
<b>Non-executive Directors</b>	
Dr. the Hon. LEE Shau Kee (Chairman)	4/4
Mr. Colin LAM Ko Yin	4/4
Mr. LEE Ka Kit	4/4
Mr. LEE Ka Shing	4/4
<b>Independent Non-executive Directors</b>	
Mr. LEUNG Hay Man	4/4
Dr. the Hon. David LI Kwok Po	4/4
Professor POON Chung Kwong	4/4
<b>Executive Directors</b>	
Mr. Alfred CHAN Wing Kin	4/4
Mr. Peter WONG Wai Yee	4/4

Regular Board meetings of the year are scheduled in advance and at least 14 days' notice is given to all Directors so as to give them an opportunity to attend. Board papers are circulated not less than three days before the date of a Board meeting to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings.

In addition, Directors at all times have full and timely access to all information on the Group and may seek independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

### Directors' Securities Transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the required standard set out in the Model Code throughout the year ended 31st December 2014.

The Board has also established written guidelines for relevant employees, including certain employees of the Company, certain directors or employees of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities (the "Relevant Employees"), in respect of their dealings in the Company's securities.

## Board of Directors (Continued)

### Directors' Responsibility for the Accounts

The Directors acknowledge their responsibilities for preparing the accounts of the Group and ensuring that the preparation of the accounts of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's accounts in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on page 77 of this Annual Report.

### Board Committees

The Board has established the following Board committees to oversee particular aspects of the Company's affairs:

#### Audit Committee

The Audit Committee was formed in May 1996. The members of the Audit Committee are Dr. the Hon. David Li Kwok Po (Chairman of the Audit Committee), Mr. Leung Hay Man and Professor Poon Chung Kwong. All members are Independent Non-executive Directors. The Chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules.

The principal duties of the Audit Committee include, but are not limited to, reviewing the Company's current financial standing, considering the nature and scope of audit reports, and ensuring internal control systems operate in accordance with applicable standards and conventions. The Company has adopted written terms of reference for the Audit Committee that clearly define the role, authority and function of the Audit Committee. The terms of reference of the Audit Committee are available on both the websites of The Stock Exchange of Hong Kong Limited (the "Exchange") and the Company.

The Audit Committee held two meetings during the year ended 31st December 2014 and the following sets out a summary of the work of the Audit Committee during such period:

- review of the financial reports for 2013 annual results and 2014 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external Auditor and approval of their remuneration;
- determination of the nature and scope of the audit;
- review of the financial and accounting policies and practices of the Company;
- review of the effectiveness of the Company's financial control, internal control, and risk management system, including the review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and
- review of the terms of reference of the Audit Committee with recommendation to the Board.

## Board Committees (Continued)

### Audit Committee (Continued)

The attendance record of each member at the Audit Committee meetings during the year ended 31st December 2014 is set out below:

Audit Committee Members	No. of Meetings Attended / Held
Dr. the Hon. David LI Kwok Po (Chairman)	2/2
Mr. LEUNG Hay Man	2/2
Professor POON Chung Kwong	2/2

### Remuneration Committee

The Company established a Remuneration Committee on 7th September 2005. The Remuneration Committee is chaired by Dr. the Hon. David Li Kwok Po (Independent Non-executive Director) with Dr. the Hon. Lee Shau Kee (Non-executive Director) and Professor Poon Chung Kwong (Independent Non-executive Director) as members.

The principal duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management (who are also executive directors of the Company) remuneration, reviewing and approving the special remuneration packages of all executive directors with reference to corporate goals and objectives resolved by the Board from time to time and determining, with delegated responsibility, the remuneration packages of individual executive directors. The Company has adopted written terms of reference for the Remuneration Committee that clearly define the role, authority and function of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on both the Exchange's and the Company's websites.

The Company has not adopted any share option scheme. The emoluments of Directors are determined based on the duties and responsibilities of each Director. The Directors' fees were reviewed by the Remuneration Committee. At the 2014 AGM, the shareholders of the Company passed the resolution to approve the revised director's fee for each Director fixed at the rate of HK\$200,000 per annum; in the case of the Chairman of the Board an additional fee at the rate of HK\$200,000 per annum; in the case of each Director acting as member of (a) Audit Committee an additional fee at the rate of HK\$250,000 per annum; (b) Remuneration Committee an additional fee at the rate of HK\$100,000 per annum; and (c) Nomination Committee an additional fee at the rate of HK\$100,000 per annum effective from the financial year of 2014 until the Company in general meeting otherwise determines. The Remuneration Committee considered the fees reasonable in view of the Directors' responsibilities.

During the year ended 31st December 2014, the Remuneration Committee held its meeting once to review the above matters. The attendance record of each member at the Remuneration Committee meeting during the year ended 31st December 2014 is set out below:

Remuneration Committee Members	No. of Meeting Attended / Held
Dr. the Hon. David LI Kwok Po (Chairman)	1/1
Dr. the Hon. LEE Shau Kee	1/1
Professor POON Chung Kwong	1/1

## Board Committees (Continued)

### Nomination Committee

The Company established a Nomination Committee on 19th March 2012. The Nomination Committee is chaired by Dr. the Hon. Lee Shau Kee (Non-executive Director) with Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong (both are Independent Non-executive Directors) as members.

The principal duties of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy. It is also responsible for making recommendations to the Board on nominations and appointment of Directors as well as assessing the independence of independent non-executive directors. The Committee shall consider the candidate from a range of backgrounds on his/her merits and against objective criteria set out by the Board. The Company has adopted written terms of reference for the Nomination Committee that clearly define the role, authority and function of the Nomination Committee. The terms of reference of the Nomination Committee are available on both the Exchange's and the Company's websites.

The Nomination Committee held one meeting during the year ended 31st December 2014. During the year under review, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of all independent non-executive directors of the Company and recommended to the Board to consider the amendments of the Articles of Association in respect of the arrangements regarding Directors' retirement by rotation at each annual general meeting. It also recommended to the Board for approval of the re-election of the retiring Directors at the 2014 Annual General Meeting.

The attendance record of each member at the Nomination Committee meeting during the year ended 31st December 2014 is set out below:

Nomination Committee Members	No. of Meeting Attended / Held
Dr. the Hon. LEE Shau Kee (Chairman)	1/1
Dr. the Hon. David LI Kwok Po	1/1
Professor POON Chung Kwong	1/1

### Auditor's Remuneration

For the year ended 31st December 2014, the total remuneration in respect of statutory audit services provided by the Company's external auditor, PricewaterhouseCoopers, amounted to approximately HK\$9.6 million. During the year, payment to PricewaterhouseCoopers in respect of non-audit services, mainly including taxation services and interim results review services provided to the Group amounted to approximately HK\$4.6 million.

## Internal Control

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control system. During the year ended 31st December 2014, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and the effectiveness of financial reporting and compliance with the Listing Rules. In addition, the Board adopted a Whistleblowing Policy which provides reporting channels and guidance for employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy is available on the Company's website. The Board considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

## Policy and Procedures on Disclosure of Inside Information

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the officers (referring to directors, managers or Company Secretary of the Company) and all the Relevant Employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the Company's website.

## Company Secretary

The Company Secretary is responsible for assisting the Board by ensuring good information flow within the Board as well as the Board policy and procedures being followed properly. The Company Secretary also provides professional advice to the Board on corporate governance and other matters. He is also responsible for organising general meetings and facilitating the induction and professional development of Directors.

During the year ended 31st December 2014, the Company Secretary undertook no less than 15 hours of relevant professional training.

## Communication with Shareholders

The Board is committed to maintaining an ongoing communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings ("AGMs") of the Company provide a good forum for communication between the Board and shareholders. Notices of the AGMs are despatched to all shareholders at least 20 clear business days prior to such AGMs. The chairmen of all Board Committees are invited to attend the AGMs. The Chairman of the Board and the chairmen of all the Board Committees are available to answer questions at the AGMs. Auditor is also invited to attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

## Communication with Shareholders (Continued)

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders in the general meeting so that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Exchange and the Company on the business day following the shareholders' meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

The 2014 AGM was held on 4th June 2014. The attendance record of each Director at the 2014 AGM is set out below:

Directors	No. of Meeting Attended / Held
<b>Non-executive Directors</b>	
Dr. the Hon. LEE Shau Kee (Chairman)	1/1
Mr. Colin LAM Ko Yin	1/1
Mr. LEE Ka Kit	1/1
Mr. LEE Ka Shing	1/1
<b>Independent Non-executive Directors</b>	
Mr. LEUNG Hay Man	1/1
Dr. the Hon. David LI Kwok Po	1/1
Professor POON Chung Kwong	1/1
<b>Executive Directors</b>	
Mr. Alfred CHAN Wing Kin	1/1
Mr. Peter WONG Wai Yee	1/1

## Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company which are governed by the provisions of the Articles of Association and applicable laws, rules and regulations.

### Convening a General Meeting

Pursuant to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective on 3rd March 2014 (the "New Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders are entitled to send a request to the Company to convene a general meeting. Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be sent to the Company in hard copy form or in electronic form and must also be authenticated by the person or persons making it.

### Putting Forward Proposals at a Shareholders' Meeting

Pursuant to the New Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all the shareholders or at least 50 shareholders can request the Company in writing to circulate to the shareholders a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting. A request may be sent to the Company in hard copy form or in electronic form and must identify the statement to be circulated. It must be authenticated by the person or persons making it and be received by the Company at least 7 days before such meeting.

## Shareholders' Rights (Continued)

### Putting Forward Enquiries to the Board

The Company has maintained a policy on shareholders' communication to handle enquires put to the Board. In order to enable such enquiries be properly directed, designated contacts, email addresses and enquiry lines of the Company were provided on page 173 of this Annual Report and the Company's website.

### Proposing a Person for Election as a Director

If a shareholder wishes to propose a person other than a retiring director of the Company for election as a director of the Company at a general meeting, that shareholder should deposit a written notice stating the full name of the person proposed for election as a director of the Company, together with (a) the proposed person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that proposed person indicating his/her willingness to be elected; and (b) the proposed person's written consent to the publication of his/her personal data not earlier than the day after the despatch of the notice of the meeting and not later than 7 days prior to the day appointed for the meeting. Detailed procedures can be found in the "Procedures for shareholders to propose a person for election as a director of the Company at a general meeting" which is available on the Company's website.

## Investor Relations

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Questions from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at [www.towngas.com](http://www.towngas.com) where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

## Constitutional Documents

On 3rd March 2014, the New Companies Ordinance has replaced the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Predecessor Companies Ordinance") and the Predecessor Companies Ordinance has been retitled as Companies (Winding up and Miscellaneous Provisions) Ordinance which mainly contains provisions relating to prospectuses, winding-up, insolvency of companies and disqualification of directors.

In view of the above changes, the Company adopted the New Articles of Association in alignment with the New Companies Ordinance and also made certain housekeeping changes for the purpose of bringing them in line with the Listing Rules and improving on the drafting. The adoption of the New Articles of Association was approved by the shareholders of the Company at the 2014 AGM. The New Articles of Association were available on both the Company's and the Exchange's websites.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF THE HONG KONG AND CHINA GAS COMPANY LIMITED  
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 78 to 172, which comprise the consolidated and company balance sheets as at 31st December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of the affairs of the Company and of the Group as at 31st December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

## PricewaterhouseCoopers

*Certified Public Accountants*  
Hong Kong, 18th March 2015

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Revenue	5	31,614.7	28,245.9
Total operating expenses	6	(24,353.7)	(21,546.3)
		7,261.0	6,699.6
Other gains, net	7	411.9	965.0
Interest expense	9	(1,012.9)	(925.7)
Share of results of associates	22	1,725.1	1,389.1
Share of results of joint ventures	23	1,489.5	1,282.8
Profit before taxation	10	9,874.6	9,410.8
Taxation	13	(1,771.4)	(1,655.2)
Profit for the year		8,103.2	7,755.6
Attributable to:			
Shareholders of the Company		7,109.2	6,853.8
Holders of perpetual capital securities		102.2	–
Non-controlling interests		891.8	901.8
		8,103.2	7,755.6
Dividends	15	3,679.7	3,345.9
Earnings per share – basic and diluted, HK cents	16	67.6	65.2 <sup>1</sup>

<sup>1</sup> Adjusted for the bonus issue in 2014

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

79

for the year ended 31st December 2014

	2014 HK\$'M	2013 HK\$'M
Profit for the year	8,103.2	7,755.6
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurements of retirement benefit	(63.0)	110.9
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Revaluation surplus/(deficit) of available-for-sale financial assets	59.1	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	5.8	66.2
Change in fair value of cash flow hedges	(87.2)	152.6
Share of other comprehensive income/(loss) of an associate	2.6	(1.7)
Exchange differences	(890.0)	892.1
Other comprehensive (loss)/income for the year, net of tax	(972.7)	1,041.4
Total comprehensive income for the year	7,130.5	8,797.0
Total comprehensive income attributable to:		
Shareholders of the Company	6,283.1	7,722.5
Holders of perpetual capital securities	102.2	–
Non-controlling interests	745.2	1,074.5
	7,130.5	8,797.0

The notes on pages 88 to 172 form part of these accounts.

# 80 CONSOLIDATED BALANCE SHEET

as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	49,695.0	45,450.9
Investment property	18	683.0	646.0
Leasehold land	19	1,658.6	1,551.4
Intangible assets	20	5,858.5	5,253.3
Associates	22	17,572.5	17,015.1
Joint ventures	23	9,033.8	8,939.0
Available-for-sale financial assets	24	2,599.7	2,937.3
Derivative financial instruments	35	266.6	421.4
Retirement benefit assets	25	–	66.3
Other non-current assets	26	2,401.7	2,425.8
		<b>89,769.4</b>	<b>84,706.5</b>
<b>Current assets</b>			
Inventories	27	2,283.2	2,383.1
Trade and other receivables	28	6,975.7	6,567.6
Loan and other receivables from associates	22	115.1	116.5
Loan and other receivables from joint ventures	23	1,239.2	1,664.7
Loan and other receivables from non-controlling shareholders		153.9	157.2
Financial assets at fair value through profit or loss	29	718.8	661.3
Time deposits over three months	30	550.1	1,289.3
Time deposits up to three months, cash and bank balances	30	12,605.5	8,849.0
		<b>24,641.5</b>	<b>21,688.7</b>
<b>Current liabilities</b>			
Trade and other payables	31	(11,942.6)	(11,272.3)
Amounts due to joint ventures	23	(677.7)	(596.6)
Loan and other payables to non-controlling shareholders		(213.9)	(274.2)
Provision for taxation		(805.7)	(896.4)
Borrowings	32	(7,049.7)	(6,222.3)
		<b>(20,689.6)</b>	<b>(19,261.8)</b>
<b>Net current assets</b>		<b>3,951.9</b>	<b>2,426.9</b>
<b>Total assets less current liabilities</b>		<b>93,721.3</b>	<b>87,133.4</b>

The notes on pages 88 to 172 form part of these accounts.

# CONSOLIDATED BALANCE SHEET (Continued)

81

as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
<b>Non-current liabilities</b>			
Customers' deposits	33	(1,256.4)	(1,233.4)
Deferred taxation	34	(5,169.2)	(4,711.3)
Borrowings	32	(24,484.3)	(24,401.1)
Loan payables to non-controlling shareholders		(22.3)	(22.1)
Asset retirement obligations		(31.9)	(29.2)
Derivative financial instruments	35	(527.6)	(365.8)
Retirement benefit liabilities	25	(5.9)	–
		<b>(31,497.6)</b>	<b>(30,762.9)</b>
<b>Net assets</b>			
		<b>62,223.7</b>	<b>56,370.5</b>
<b>Capital and reserves</b>			
Share capital	36	5,474.7	2,389.9
Share premium	37	–	2,861.0
Reserves	39	44,735.7	42,418.0
Proposed dividend	39	2,417.8	2,198.7
<b>Shareholders' funds</b>			
		<b>52,628.2</b>	<b>49,867.6</b>
<b>Perpetual capital securities</b>			
	38	<b>2,353.8</b>	<b>–</b>
<b>Non-controlling interests</b>			
		<b>7,241.7</b>	<b>6,502.9</b>
<b>Total equity</b>			
		<b>62,223.7</b>	<b>56,370.5</b>

Approved by the Board of Directors on 18th March 2015

**Lee Chau Kee**  
Director

**David Li Kwok Po**  
Director

The notes on pages 88 to 172 form part of these accounts.

# BALANCE SHEET

as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	10,124.3	9,778.2
Leasehold land	19	238.9	245.9
Subsidiaries	21	17,333.5	18,268.6
Joint ventures	23	875.4	910.4
Available-for-sale financial assets	24	47.3	44.5
Retirement benefit assets	25	–	66.3
		<b>28,619.4</b>	<b>29,313.9</b>
<b>Current assets</b>			
Inventories	27	1,161.8	1,198.1
Trade and other receivables	28	1,853.3	1,884.3
Loan receivables from subsidiaries	21	331.6	398.8
Loan and other receivables from associates	22	37.6	36.1
Other receivables from joint ventures	23	11.6	7.6
Time deposits over three months	30	–	219.5
Time deposits up to three months, cash and bank balances	30	2,182.7	1,220.4
		<b>5,578.6</b>	<b>4,964.8</b>
<b>Current liabilities</b>			
Trade and other payables	31	(884.3)	(888.5)
Amounts due to joint ventures	23	(0.6)	(0.6)
Provision for taxation		(154.7)	(168.9)
Borrowings	32	(300.0)	–
		<b>(1,339.6)</b>	<b>(1,058.0)</b>
<b>Net current assets</b>		<b>4,239.0</b>	<b>3,906.8</b>
<b>Total assets less current liabilities</b>		<b>32,858.4</b>	<b>33,220.7</b>

The notes on pages 88 to 172 form part of these accounts.

# BALANCE SHEET (Continued)

as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
<b>Non-current liabilities</b>			
Loan and other payables to subsidiaries	21	(14,519.4)	(14,416.2)
Customers' deposits	33	(1,246.6)	(1,225.0)
Deferred taxation	34	(1,185.4)	(1,148.9)
Retirement benefit liabilities	25	(5.9)	–
Borrowings	32	–	(300.0)
		<b>(16,957.3)</b>	<b>(17,090.1)</b>
<b>Net assets</b>			
		<b>15,901.1</b>	<b>16,130.6</b>
<b>Capital and reserves</b>			
Share capital	36	5,474.7	2,389.9
Share premium	37	–	2,861.0
Reserves	39	8,008.6	8,681.0
Proposed dividend	39	2,417.8	2,198.7
		<b>15,901.1</b>	<b>16,130.6</b>

Approved by the Board of Directors on 18th March 2015

**Lee Shau Kee**  
Director

**David Li Kwok Po**  
Director

The notes on pages 88 to 172 form part of these accounts.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
<b>Net cash from operating activities</b>	43	<b>8,179.8</b>	6,992.3
<b>Investing activities</b>			
Receipt from sale of property, plant and equipment		45.0	38.8
Receipt from sale of leasehold land		2.9	2.6
Purchase of property, plant and equipment		(6,250.3)	(5,086.0)
Payment for leasehold land		(114.7)	(207.9)
Increase in investments in associates		(376.7)	(474.7)
Increase in loans to associates		(341.7)	(207.9)
Repayment of loans by associates		605.3	613.8
Decrease/(increase) in investments in joint ventures		374.4	(5.1)
Increase in loans to joint ventures		(33.6)	(290.2)
(Decrease)/increase in loans from joint ventures		(116.4)	148.0
Repayment of loans by joint ventures		428.9	538.2
Consideration paid for acquisition of businesses in prior periods		(449.8)	(347.9)
Deferred consideration received		40.0	40.0
Acquisition of businesses	45	(564.6)	(1,200.3)
Further acquisition of subsidiaries		(15.2)	(115.7)
Disposal of a subsidiary		–	1.8
Sale of financial assets at fair value through profit or loss		172.0	283.3
Sale of available-for-sale financial assets		608.8	44.9
Purchase of available-for-sale financial assets		(134.7)	(90.6)
Purchase of financial assets at fair value through profit or loss		(81.5)	(590.5)
Decrease/(increase) in time deposits over three months		737.1	(968.4)
Interest received		317.4	325.2
Dividends received from investments in securities		243.1	202.7
Dividends received from associates		1,028.9	968.5
Dividends received from joint ventures		1,042.1	643.8
<b>Net cash used in investing activities</b>		<b>(2,833.3)</b>	(5,733.6)

The notes on pages 88 to 172 form part of these accounts.

# CONSOLIDATED CASH FLOW STATEMENT (Continued)

85

for the year ended 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
<b>Financing activities</b>			
Share repurchased		(60.3)	–
Issue of shares of a subsidiary under share option scheme		10.2	9.5
Issue of shares of a subsidiary		–	930.3
Change in loans with non-controlling shareholders		6.0	26.7
Capital injection by non-controlling shareholders		175.3	94.8
Increase in borrowings		7,931.8	4,052.6
Issue of perpetual capital securities		2,306.8	–
Repayment of borrowings		(6,706.3)	(5,102.5)
Interest paid to holders of perpetual capital securities		(55.2)	–
Interest paid		(1,251.7)	(1,205.9)
Dividends paid to shareholders of the Company	39	(3,460.6)	(3,146.0)
Dividends paid to non-controlling shareholders		(340.2)	(335.0)
<b>Net cash used in financing activities</b>		<b>(1,444.2)</b>	<b>(4,675.5)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>3,902.3</b>	<b>(3,416.8)</b>
<b>Cash and cash equivalents at 1st January</b>		<b>8,849.0</b>	<b>12,186.4</b>
<b>Effect of foreign exchange rate changes</b>		<b>(145.8)</b>	<b>79.4</b>
<b>Cash and cash equivalents at 31st December</b>		<b>12,605.5</b>	<b>8,849.0</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		4,641.1	5,139.4
Time deposits up to three months		7,964.4	3,709.6
		<b>12,605.5</b>	<b>8,849.0</b>

The notes on pages 88 to 172 form part of these accounts.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2014

	Attributable to shareholders of the Company			Holders of perpetual capital securities HK\$'M	Non- controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Share premium HK\$'M	Reserves HK\$'M			
Total equity as at 1st January 2014	2,389.9	2,861.0	44,616.7	–	6,502.9	56,370.5
Profit for the year	–	–	7,109.2	102.2	891.8	8,103.2
Other comprehensive income:						
Remeasurements of retirement benefit	–	–	(63.0)	–	–	(63.0)
Revaluation surplus of available-for-sale financial assets	–	–	59.1	–	–	59.1
Impairment loss on available-for-sale financial assets transferred to income statement	–	–	5.8	–	–	5.8
Change in fair value of cash flow hedges	–	–	(88.5)	–	1.3	(87.2)
Share of other comprehensive income of an associate	–	–	2.6	–	–	2.6
Exchange differences	–	–	(742.1)	–	(147.9)	(890.0)
Total comprehensive income for the year	–	–	6,283.1	102.2	745.2	7,130.5
Transition to no-par value regime on 3rd March 2014	3,084.8	(2,861.0)	(223.8)	–	–	–
Capital injection	–	–	–	–	175.3	175.3
Acquisition of businesses (Note 45)	–	–	–	–	161.9	161.9
Further acquisition of subsidiaries	–	–	(1.6)	–	(13.6)	(15.2)
Interest paid on perpetual capital securities	–	–	–	(55.2)	–	(55.2)
Issue of perpetual capital securities	–	–	–	2,306.8	–	2,306.8
Issue of shares of a subsidiary under share option schemes	–	–	–	–	10.2	10.2
Dividends paid to shareholders of the Company	–	–	(3,460.6)	–	–	(3,460.6)
Dividends paid to non-controlling shareholders	–	–	–	–	(340.2)	(340.2)
Shares repurchased	–	–	(60.3)	–	–	(60.3)
Total equity as at 31st December 2014	5,474.7	–	47,153.5	2,353.8	7,241.7	62,223.7

The notes on pages 88 to 172 form part of these accounts.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

87

for the year ended 31st December 2014

	Attributable to shareholders of the Company			Non- controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Share premium HK\$'M	Reserves HK\$'M		
Balance at 1st January 2013, as previously reported	2,172.6	3,078.3	40,067.6	5,148.4	50,466.9
Effect of adoption of HKAS 19 (amendment 2011)	-	-	(116.7)	-	(116.7)
Total equity as at 1st January 2013, as restated	2,172.6	3,078.3	39,950.9	5,148.4	50,350.2
Profit for the year	-	-	6,853.8	901.8	7,755.6
Other comprehensive income:					
Remeasurements of retirement benefit	-	-	110.9	-	110.9
Revaluation deficit of available-for-sale financial assets	-	-	(178.7)	-	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	-	-	66.2	-	66.2
Change in fair value of cash flow hedges	-	-	149.3	3.3	152.6
Share of other comprehensive loss of an associate	-	-	(1.7)	-	(1.7)
Exchange differences	-	-	722.7	169.4	892.1
Total comprehensive income for the year	-	-	7,722.5	1,074.5	8,797.0
Capital injection	-	-	-	94.8	94.8
Share of capital reserve of a joint venture	-	-	(155.5)	-	(155.5)
Acquisition of businesses	-	-	-	47.9	47.9
Further acquisition of subsidiaries	-	-	(66.3)	(49.4)	(115.7)
Disposal of a subsidiary	-	-	-	(107.0)	(107.0)
Partial disposal of a subsidiary	-	-	(13.6)	13.6	-
Issue of shares of a subsidiary	-	-	327.0	603.3	930.3
Issue of shares of a subsidiary under share option schemes	-	-	(2.3)	11.8	9.5
Dividends paid to shareholders of the Company	-	-	(3,146.0)	-	(3,146.0)
Dividends paid to non-controlling shareholders	-	-	-	(335.0)	(335.0)
Bonus issue	217.3	(217.3)	-	-	-
Total equity as at 31st December 2013	2,389.9	2,861.0	44,616.7	6,502.9	56,370.5

The notes on pages 88 to 172 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1 General information

The Hong Kong and China Gas Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) have been diversified into different fields of businesses and principally engages in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the People’s Republic of China (the “PRC”). The Group is also engaged in property development and investment activities in Hong Kong.

The Company is a limited liability company incorporated and domiciled in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 23rd Floor, 363 Java Road, North Point, Hong Kong.

These consolidated accounts have been approved for issue by the Board of Directors on 18th March 2015.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated accounts are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated accounts are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed in Note 4.

### (i) *New or revised standards, interpretations and amendments adopted in 2014*

The Group has adopted the following new or revised standards, interpretations and amendments to standards which are effective for the Group’s financial year beginning 1st January 2014 and relevant to the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Annual Improvements 2012	Annual Improvements to HKFRSs 2010-2012 Cycle
HK (IFRIC) – Int 21	“Levies”

The adoption of the new or revised standards, interpretations and amendments to standards has no significant impact on the Group’s results and financial position or any substantial changes in Group’s accounting policies.

## 2 Summary of significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

#### (ii) *New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2014 but relevant to the Group and have not been early adopted by the Group*

HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Amendment to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendment to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements 2012	Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements 2013	Annual Improvements to HKFRSs 2011-2013 Cycle
Annual Improvements 2014	Annual Improvements to HKFRSs 2012-2014 Cycle

The Group has already commenced an assessment of the impact of these new standards, amendments and improvements to standards, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

#### (iii) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3rd March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated accounts in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated accounts will be affected.

## 2 Summary of significant accounting policies (Continued)

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

#### (i) *Subsidiaries*

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment. Cost also includes direct attributable cost of investment. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

#### (ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in the other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the other comprehensive income are reclassified to the income statement.

## 2 Summary of significant accounting policies (Continued)

### (b) Consolidation (Continued)

#### (iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income is reclassified to the income statement where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in the other comprehensive income is recognised in the other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's accounts only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the income statement.

#### (v) Joint ventures

Joint ventures are joint ventures whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in joint ventures are accounted for by the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in joint ventures includes goodwill identified on acquisition.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income is reclassified to the income statement where appropriate.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in the other comprehensive income is recognised in the other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

## 2 Summary of significant accounting policies (Continued)

### (b) Consolidation (Continued)

#### (v) *Joint ventures* (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to “share of results of joint ventures” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group’s accounts only to the extent of unrelated investor’s interests in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in joint ventures are recognised in the income statement.

In the Company’s balance sheet, the investments in joint ventures are stated at cost less provision for impairment. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee members that makes strategic decisions.

### (d) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the accounts of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated accounts are presented in Hong Kong dollars (“HKD”), which is the Company’s functional and presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences resulting from changes in the amortised cost of the securities are recognised in the income statement, and other changes in carrying amount are recognised in the other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the other comprehensive income.

## 2 Summary of significant accounting policies (Continued)

### (d) Foreign currency translation (Continued)

#### (iii) Group companies

The results and financial position of all the Group entities, including associates and joint ventures, (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to the other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing historical exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining and oil properties, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs, other than costs incurred in acquiring land use right and mining and oil properties, are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

### (f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The capitalised costs in respect of capital work in progress include direct materials, direct labour costs, subcontracting costs, capitalised borrowing costs and other direct overheads. Capital work in progress is transferred to relevant categories of property, plant and equipment upon completion of their respective work.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement.

## 2 Summary of significant accounting policies (Continued)

### (f) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated on a straight-line basis to allocate the cost less accumulated impairment of each component of the asset to its residual value over its estimated useful life as follows:

Production plant and related equipment	10 – 40 years
Vehicles, office furniture and equipment	5 – 15 years
Gas mains and risers	25 – 40 years
Water mains	30 – 50 years
Gasholders, office, store and buildings	20 – 40 years
Meters and installations	5 – 30 years
Mining and oil properties	Based on the units of production method utilising only recoverable coal and oil reserves as the depletion base
Others	5 – 30 years
Capital work in progress	No depreciation

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

### (g) Deferred overburden removal costs

Mining structures include deferred stripping costs and mining related property, plant and equipment. When proven and probable coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral properties, in which case the stripping costs would be capitalised into property, plant and equipment as mining structures. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

Mining structures are depreciated on the unit-of-production method utilising only proven and probable coal reserves in the depletion base, or based on the useful lives of respective items of property, plant and equipment, whichever is appropriate.

### (h) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if it were finance leases.

## 2 Summary of significant accounting policies (Continued)

### (h) Investment property (Continued)

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market value, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors (“HKIS”). These valuations are reviewed annually by qualified valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

Property that is being constructed or developed for future use as investment property is classified as investment properties and measured at fair value unless fair value cannot be reliably determined. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the income statement.

### (i) Leases

#### (i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

#### (ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are carried at cost less accumulated depreciation and impairment. They are depreciated over the shorter of the useful life of the assets and the lease term.

## 2 Summary of significant accounting policies (Continued)

### (j) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates and joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill arising on an acquisition of an associate or joint venture is included in the cost of the investment of the relevant associate or joint venture. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately recognised goodwill is allocated to cash-generating units, primarily individual projects, for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible asset is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the period of the relevant right from 15 years to 50 years.

### (k) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Goodwill that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than separately recognised goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (l) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading the receivables. They are included in the current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

## 2 Summary of significant accounting policies (Continued)

### (I) Financial assets (Continued)

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

The unlisted equity securities are carried at cost less impairment when these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Loans and receivables are carried at amortised cost using effective interest method.

Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other gains, net”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of “other gains, net” when the Group’s right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences resulting from changes in the amortised cost of the securities are recognised in the income statement, and other changes in the carrying amount are recognised in the other comprehensive income.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses on disposal of available-for-sale financial assets under “other gains, net”.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of “other gains, net”. Dividends on available-for-sale equity instruments are recognised in the income statement as part of “other gains, net” when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques including the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group may choose to reclassify a non-derivative trading financial asset out of the financial assets at fair value through profit or loss category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the financial assets at fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

## 2 Summary of significant accounting policies (Continued)

### (l) Financial assets (Continued)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

### (m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 35. Movements on the hedging reserve in shareholders' equity are shown in Note 39. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains, net".

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of changes in the fair value of derivatives is recognised in the income statement within "interest expense". The gain or loss relating to the ineffective portion is recognised in the income statement within "other gains, net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other gains, net".

### (n) Inventories

Inventories comprise coal and oil, stores and materials and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

## 2 Summary of significant accounting policies (Continued)

### (o) Construction contracts

Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

### (p) Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

### (q) Impairment of financial assets

#### (i) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- (i) adverse changes in the payment status of borrowers in the portfolio;
- (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

## 2 Summary of significant accounting policies (Continued)

### (q) Impairment of financial assets (Continued)

#### (i) *Assets carried at amortised cost* (Continued)

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### (ii) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

### (r) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, cash and cash equivalents are presented as time deposits up to three months, cash and bank balances in current assets and bank overdrafts are included in borrowings in current liabilities.

### (s) Trade payables and customers' deposits

Trade payables and customers' deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (t) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## 2 Summary of significant accounting policies (Continued)

### (t) Borrowings and borrowing costs (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

### (u) Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity. In this case, the tax is also recognised in the other comprehensive income or directly in equity.

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred taxation is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### (v) Revenue and income recognition

- (i) Gas sales – based on gas consumption derived from meter readings.
- (ii) Water sales – based on water consumption derived from meter readings.
- (iii) Liquefied petroleum gas sales – upon completion of the gas filling transaction.
- (iv) Equipment sales – upon completion of installation work or when equipment, materials and parts are delivered to customers and title has passed.
- (v) Oil and coal related sales – upon completion of delivery and title has passed.
- (vi) Maintenance and service charges – when services are provided.
- (vii) Interest income – recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Dividend income – recognised when the right to receive payment is established.
- (ix) Rental income – recognised on a straight-line accrual basis over the terms of lease agreements.
- (x) Construction and gas connection income – recognised under percentage of completion method.

## 2 Summary of significant accounting policies (Continued)

### (w) Employee benefits

Salaries, bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees to the Group.

The Group operates a number of defined contribution and one defined benefit retirement schemes and the assets of the schemes are held separately from those of the Group in independently administered funds. The retirement schemes are funded by payments from employees and by the Group, taking into account the recommendations of independent qualified actuaries.

#### (i) *Defined contribution retirement schemes*

The Group contributes to defined contribution retirement schemes and Mandatory Provident Fund schemes which are available to salaried employees in Hong Kong. The Group's contributions to these retirement schemes are calculated as a percentage of the employees' basic salaries or relevant income and are expensed as incurred. No forfeited contributions have been utilised by the Group to reduce the existing contributions.

For employees in mainland China, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial government in the PRC based on a certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

#### (ii) *Defined benefit retirement scheme*

The Group also operates a defined benefit retirement scheme, namely the Workmen Retirement Scheme, in Hong Kong. The scheme provides benefit to employees based on final salary. The Group's net obligation in respect of the defined benefit retirement scheme is calculated separately for the scheme using the projected unit credit method. The benefit obligation is measured as the present value of the estimated future benefit that employees have earned for their service in the current and prior years using interest rates of government bonds which have terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income statement.

### (x) Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

## 2 Summary of significant accounting policies (Continued)

### (x) Provisions and contingencies (Continued)

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil properties. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil properties.

If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in the income statement when occurred.

## 3 Financial risk management

### *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage and reduce certain risk exposures.

Risk management is carried out by treasury and investment departments (Group Treasury) under policies approved by the Treasury Committee, comprising all the executive directors of the Company. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Treasury Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### (a) Market risk

#### (i) *Foreign exchange risk*

The Group operates in Hong Kong, mainland China and Thailand and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("USD"), Renminbi ("RMB") and Thailand Baht ("THB"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group has also entered into cross currency swap contracts to manage its exposure to foreign exchange risk from recognised liabilities. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts and other suitable financial instruments.

### 3 Financial risk management (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

Transactions denominated in the USD mainly arise from the Group's operation in Hong Kong. Pursuant to Hong Kong's Linked Exchange Rate System under which HKD is pegged to the USD, management considers there are no significant foreign exchange risks with respect to the USD. Furthermore, there are no significant transactions and recognised assets and liabilities of the Thailand business in currency other than THB. Management considers there is no significant foreign exchange risk from the Thailand business.

At 31st December 2014, if the RMB had weakened/strengthened by 2 per cent (2013: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK\$284.4 million (2013: HK\$244.8 million) lower/higher.

##### (ii) Price risk

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss of HK\$1,388.8 million (2013: HK\$1,353.8 million) and HK\$34.9 million (2013: HK\$42.5 million) respectively.

The Group also held unlisted equity investments which are classified as available-for-sale financial assets of HK\$212.7 million (2013: HK\$352.1 million). The underlyings of the investments are listed equity securities, which making them subject to equity securities price risk.

It is the Group's policy to maintain a well-diversified portfolio of investments to minimise impact of price risk.

Majority of the Group's equity securities are publicly traded and are included in one of the following indexes: Hang Seng Index, S&P 500 Index, Financial Times Stock Exchange ("FTSE") 100 Index and MSCI AC Asia Pacific excluding Japan ("MSCI Asia Pacific ex-Japan") Index.

The table below summarises the impact of increases/decreases of the following indexes on the Group's pre-tax profit for the year and on equity. The analysis is based on the assumption that the indexes had increased/decreased by 10 per cent with all other variables held constant and all the Group's equity securities moved according to the historical correlation with the indexes.

	Group			
	Impact on pre-tax profit		Impact on equity	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Hang Seng Index	2.7	3.0	133.2	127.1
S&P 500 Index	1.2	0.3	2.8	7.6
FTSE 100 Index	-	0.5	7.8	9.7
MSCI Asia Pacific ex-Japan Index	-	-	20.3	37.5

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

The Company has no significant equity securities and the Company's financial results are not significantly affected by equity securities price risk.

### 3 Financial risk management (Continued)

#### (a) Market risk (Continued)

##### (iii) Cash flow and fair value interest rate risk

###### **The Group**

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK\$13,155.6 million (2013: HK\$10,138.3 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK\$12,785.1 million (2013: HK\$11,810.9 million), fixed rate borrowings of HK\$18,748.9 million (2013: HK\$18,812.5 million) and floating rate deposits received from customers of HK\$1,256.4 million (2013: HK\$1,233.4 million).

At 31st December 2014, if market interest rates on bank deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$140.7 million (2013: HK\$128.0 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2014, if market interest rates on borrowings and customers' deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$157.0 million (2013: HK\$152.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

###### **The Company**

The Company's interest bearing assets mainly comprise floating and fixed rates bank deposits of HK\$2,182.7 million (2013: HK\$1,439.9 million). The Company's interest rate risk arises from floating rate borrowings of HK\$300.0 million (2013: HK\$300.0 million) and floating rate deposits received from customers of HK\$1,246.6 million (2013: HK\$1,225.0 million).

At 31st December 2014, if market interest rates on bank deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$16.0 million (2013: HK\$13.4 million) higher/lower, mainly as a result of higher/lower bank deposits interest income on floating rate bank deposits.

At 31st December 2014, if market interest rates on borrowings and customers' deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$15.3 million (2013: HK\$21.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

### 3 Financial risk management (Continued)

#### (b) Credit risk

Credit risk of the Group and Company mainly arises from:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Cash and bank deposits	13,155.6	10,138.3	2,182.7	1,439.9
Debt securities and derivative financial instruments	1,470.6	1,786.5	–	–
Trade receivables	3,640.9	3,517.3	1,658.8	1,707.7
Other receivables	1,339.3	1,286.7	183.4	171.4
Loan and other receivables from joint ventures	1,699.8	2,066.6	36.2	67.2
Loan and other receivables from associates	900.3	1,163.3	37.6	36.1
Loan and other receivables from non-controlling interests	153.9	157.2	–	–
Loan and other receivables from subsidiaries	–	–	17,325.9	18,328.2
Other non-current assets	2,401.7	2,425.8	–	–

The Group has no significant concentrations of credit risk. The Group has credit policy to handle credit risk of customers. There is no significant concentration of sales to any individual customer. The top five largest customers account for less than 30 per cent of the total revenues. Furthermore, security deposits are required for gas customers. This also applies to the PRC joint ventures where there is no significant concentration of sales to any individual customer. Other non-current assets mainly represent aviation fuel facility construction receivable. Management considered that counter party default risk is low and there is no history of default in repayment. Debt securities, derivative financial instruments and cash transactions counter parties are with good credit rating of investment grade or above. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group and Company monitor the exposure to credit risk in respect of the financial assistance provided to its subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

### 3 Financial risk management (Continued)

#### (b) Credit risk (Continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates is as follows:

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Cash and bank deposits				
AA	14.0	8.0	2.8	36.2
A	61.6	58.4	96.9	62.8
BBB	18.4	23.9	0.3	1.0
BB	1.3	2.6	–	–
Unrated	4.7	7.1	–	–
	100.0	100.0	100.0	100.0
Debt securities and derivative financial instruments				
AA	14.2	14.7	N/A	N/A
A	51.3	41.7	N/A	N/A
BBB	10.8	5.8	N/A	N/A
Unrated	23.7	37.8	N/A	N/A
	100.0	100.0	N/A	N/A

Credit ratings are quoted from Bloomberg.

Credit quality of loan and other receivables from subsidiaries, loan and other receivables from associates, loan and other receivables from joint ventures, other non-current assets and trade and other receivables are disclosed in Notes 21, 22, 23, 26 and 28 respectively to the accounts. None of the financial assets that are fully performing has been renegotiated during the year.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping adequate free cash and credit lines available.

The Group determines that there is no significant liquidity risk in view of our adequate and stable sources of funds and unutilised banking facilities.

The table below analyses the Group's and the Company's major financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

### 3 Financial risk management (Continued)

#### (c) Liquidity risk (Continued)

	Less than 1 year HK\$'M	Between 1 and 2 years HK\$'M	Between 2 and 5 years HK\$'M	Over 5 years HK\$'M
<b>Group</b>				
At 31st December 2014				
Trade and other payables	9,420.9	–	–	–
Amounts due to joint ventures	677.7	–	–	–
Loan and other payables to non-controlling shareholders	213.9	–	22.3	–
Borrowings	8,034.2	6,328.7	12,856.7	11,870.2
Derivative financial instruments	4.2	6.6	–	517.2
At 31st December 2013				
Trade and other payables	8,788.5	–	–	–
Amounts due to joint ventures	596.6	–	–	–
Loan and other payables to non-controlling shareholders	274.2	–	22.1	–
Borrowings	7,215.5	3,178.0	15,671.9	11,923.6
Derivative financial instruments	4.0	–	7.1	355.5
<b>Company</b>				
At 31st December 2014				
Trade and other payables	666.1	–	–	–
Borrowings	302.3	–	–	–
At 31st December 2013				
Trade and other payables	656.4	–	–	–
Borrowings	2.4	302.3	–	–

The customers' deposits are not presented in the above liquidity analysis as management considers it is not practical to allocate the deposits into maturity groupings and the movement in customers' deposits is not significant based on past experience.

#### *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase existing shares, drawdown and repay borrowings, issue and redeem perpetual capital securities, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowing divided by shareholders' funds plus perpetual capital securities and net borrowing. Net borrowing is calculated as total borrowings, less time deposits, cash and bank deposits as shown in the consolidated balance sheet.

### 3 Financial risk management (Continued)

#### *Capital risk management* (Continued)

The gearing ratios at 31st December 2014 and 2013 are as follows:

	2014 HK\$'M	2013 HK\$'M
Total borrowings	(31,534.0)	(30,623.4)
Less: Time deposits, cash and bank deposits	13,155.6	10,138.3
Net borrowing	(18,378.4)	(20,485.1)
Shareholders' funds	(52,628.2)	(49,867.6)
Perpetual capital securities	(2,353.8)	–
	<b>(73,360.4)</b>	<b>(70,352.7)</b>
Gearing ratio	25%	29%

#### *Fair value estimation*

The Group's financial instruments are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31st December 2014 and 2013. See Note 18 for disclosures of the investment properties that are measured at fair value.

	Level 1		Level 2		Total	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Assets						
Financial assets at fair value through profit or loss						
– Debt securities	672.7	618.8	–	–	672.7	618.8
– Equity securities	34.9	42.5	–	–	34.9	42.5
– Derivative financial instruments	–	–	11.2	–	11.2	–
Derivative financial instruments	–	–	266.6	421.4	266.6	421.4
Available-for-sale financial assets						
– Debt securities	520.1	746.3	–	–	520.1	746.3
– Equity securities	1,584.1	1,705.9	–	–	1,584.1	1,705.9
Total assets	<b>2,811.8</b>	<b>3,113.5</b>	<b>277.8</b>	<b>421.4</b>	<b>3,089.6</b>	<b>3,534.9</b>
Liabilities						
Derivative financial instruments	–	–	527.6	365.8	527.6	365.8

### 3 Financial risk management (Continued)

#### *Fair value estimation* (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31st December 2014, the Group did not have financial instruments under this category.

Specific valuation techniques used to value financial instruments includes:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable forward exchange rates and yield curves.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **(a) Estimated impairment of assets**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the accounts Note 2(k). Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These value-in-use calculations require the use of estimates.

#### **(b) Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

## 4 Critical accounting estimates and judgements (Continued)

### (c) Estimate of fair value of investment property

The valuation of investment properties (including those held by an associate) are performed in accordance with the “The HKIS Valuation Standards on Properties (2012 Edition)” published by the Hong Kong Institute of Surveyors and the ‘International Valuation Standards’ published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are mainly determined using income capitalisation valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management’s estimation of fair value are those related to the capitalisation rate and market rentals. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

### (d) Estimate of gas and water consumption

Revenue for gas and water supply may include an estimation of the gas and water supplied to the customers of which actual meter reading is not available. The estimation is done mainly based on the past consumption records and recent consumption pattern of individual customers. As of the year-end date, the overall billed gas and water sales are in line with the gas and water supplied to the customers.

### (e) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group’s mining and oil properties for coal mines in mainland China and oil concession in Thailand. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group’s financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

## 5 Segment information

The Group's principal activities are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses ("New Energy") in Hong Kong and mainland China. The revenue comprises the following:

	2014 HK\$'M	2013 HK\$'M
Gas sales before fuel cost adjustment	21,841.0	19,445.6
Fuel cost adjustment	1,726.6	1,961.9
Gas sales after fuel cost adjustment	23,567.6	21,407.5
Gas connection income	2,797.7	2,370.9
Equipment sales and maintenance services	2,040.6	1,716.0
Water and related sales	1,095.5	978.7
Oil and coal related sales	1,219.7	746.9
Other sales	893.6	1,025.9
	<b>31,614.7</b>	<b>28,245.9</b>

The chief operating decision-maker has been identified as the executive committee members (the "ECM") of the Company. The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance of (a) gas, water and related businesses; (b) New Energy and (c) property business. Gas, water and related businesses is further evaluated on a geographic basis (Hong Kong and Mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the accounts.

The segment information provided to the ECM for the reportable segments is as follows:

2014 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Revenue	9,600.2	18,373.9	3,112.1	52.4	476.1	31,614.7
Adjusted EBITDA	4,282.7	4,288.4	1,061.1	28.2	101.9	9,762.3
Depreciation and amortisation	(657.2)	(885.6)	(345.1)	–	(47.7)	(1,935.6)
Unallocated expenses						(565.7)
						7,261.0
Other gains, net						411.9
Interest expense						(1,012.9)
Share of results of associates	–	841.1	(1.6)	883.1	2.5	1,725.1
Share of results of joint ventures	–	1,485.2	1.3	3.0	–	1,489.5
Profit before taxation						9,874.6
Taxation						(1,771.4)
Profit for the year						<b>8,103.2</b>

Share of results of associates includes HK\$384.9 million (2013: HK\$126.6 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

## 5 Segment information (Continued)

2013 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Revenue	9,619.7	15,738.5	2,423.1	42.3	422.3	28,245.9
Adjusted EBITDA	4,207.8	3,716.9	856.3	22.4	75.2	8,878.6
Depreciation and amortisation	(639.3)	(751.6)	(210.0)	–	(36.8)	(1,637.7)
Unallocated expenses						(541.3)
						6,699.6
Other gains, net						965.0
Interest expense						(925.7)
Share of results of associates	–	806.3	(1.5)	580.3	4.0	1,389.1
Share of results of joint ventures	–	1,276.0	1.4	5.4	–	1,282.8
Profit before taxation						9,410.8
Taxation						(1,655.2)
Profit for the year						7,755.6

The segment assets at 31st December 2014 and 2013 are as follows:

2014 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Segment assets	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	103,874.1
Unallocated assets:						
Available-for-sale financial assets						2,599.7
Financial assets at fair value through profit or loss						718.8
Time deposits, cash and bank balances excluded from segment assets						6,674.8
Others (Note)						543.5
Total assets	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	114,410.9

### Note

Other unallocated assets mainly include derivative financial instruments, loan and other receivables from non-controlling shareholders and other non-current assets other than those included under segment assets.

## 5 Segment information (Continued)

2013 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Segment assets	16,042.2	51,507.3	19,489.8	10,562.7	1,521.2	99,123.2
Unallocated assets:						
Available-for-sale financial assets						2,937.3
Financial assets at fair value through profit or loss						661.3
Time deposits, cash and bank balances excluded from segment assets						2,777.2
Others						896.2
<b>Total assets</b>	<b>16,042.2</b>	<b>51,507.3</b>	<b>19,489.8</b>	<b>10,562.7</b>	<b>1,521.2</b>	<b>106,395.2</b>

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2014 is HK\$10,929.6 million (2013: HK\$10,926.0 million), and the revenue from external customers in other geographical locations is HK\$20,685.1 million (2013: HK\$17,319.9 million).

At 31st December 2014, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK\$21,828.5 million and HK\$62,672.9 million (2013: HK\$21,662.7 million and HK\$57,193.0 million) respectively.

For the years ended 31st December 2014 and 2013, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

## 6 Total operating expenses

	Group	
	2014 HK\$'M	2013 HK\$'M
Stores and materials used	16,298.4	14,721.8
Manpower costs (Note 11)	2,706.2	2,281.7
Depreciation and amortisation	1,951.5	1,649.3
Other operating items	3,397.6	2,893.5
	<b>24,353.7</b>	<b>21,546.3</b>

## 7 Other gains, net

	Group	
	2014 HK\$'M	2013 HK\$'M
Net investment gains (Note 8)	443.7	937.6
Fair value gain on investment property (Note 18)	34.3	106.0
Loss on disposal of a subsidiary	–	(34.7)
Impairment for a loan to a joint venture	(25.0)	–
Project research and development costs	(40.9)	(39.8)
Others	(0.2)	(4.1)
	<b>411.9</b>	<b>965.0</b>

## 8 Net investment gains

	Group	
	2014 HK\$'M	2013 HK\$'M
<b>(a) Interest income</b>		
Bank deposits	259.7	177.9
Listed available-for-sale financial assets	16.9	18.5
Unlisted available-for-sale financial assets	–	0.5
Loans to associates and joint ventures	26.7	103.3
Others	25.0	26.5
	<b>328.3</b>	<b>326.7</b>
<b>(b) Net realised and unrealised gains/(losses) and interest income on financial assets at fair value through profit or loss and derivative financial instruments</b>		
Listed securities	134.9	16.7
Unlisted securities	(27.0)	61.3
Exchange differences	3.2	4.7
	<b>111.1</b>	<b>82.7</b>
<b>(c) Net realised gains/(losses) on available-for-sale financial assets</b>		
Listed securities	14.6	(61.7)
Unlisted securities	66.5	–
Exchange differences	(0.5)	1.6
	<b>80.6</b>	<b>(60.1)</b>
<b>(d) Dividend income</b>		
Listed available-for-sale financial assets	92.5	93.1
Unlisted available-for-sale financial assets	150.1	108.5
Listed financial assets at fair value through profit or loss	0.5	1.1
	<b>243.1</b>	<b>202.7</b>
<b>(e) Other investment and exchange (losses)/gains</b>	<b>(319.4)</b>	<b>385.6</b>
	<b>443.7</b>	<b>937.6</b>

## 9 Interest expense

	Group	
	2014 HK\$'M	2013 HK\$'M
Interest on bank loans and overdrafts wholly repayable within five years	509.3	462.9
Interest on guaranteed notes wholly repayable within five years	448.6	455.3
Interest on guaranteed notes not wholly repayable within five years	347.4	351.2
	<b>1,305.3</b>	1,269.4
Less: Amount capitalised	(292.4)	(343.7)
	<b>1,012.9</b>	925.7

The interest expense is capitalised at average rates from 3.30 per cent to 7.80 per cent (2013: 3.50 per cent to 7.68 per cent) per annum.

## 10 Profit before taxation

Profit before taxation is stated after charging and (crediting) the following:

	Group	
	2014 HK\$'M	2013 HK\$'M
Cost of inventories sold	18,061.3	15,834.9
Depreciation and amortisation	1,951.5	1,649.3
Loss on disposal/write off of property, plant and equipment	23.0	35.2
Loss on disposal of leasehold land	4.3	4.8
Impairment loss of trade receivables	10.0	31.0
Impairment loss of available-for-sale financial assets	5.8	66.2
Operating lease rentals		
– land and buildings	116.7	98.4
– plant and equipment	11.3	11.0
Rental income from investment property		
– gross rental income	(52.4)	(42.3)
– outgoing expenses	21.4	19.7
Auditors' remuneration	21.8	23.0
Net loss on residential maintenance (Note)	36.5	19.3
Note		
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	(196.9)	(194.0)
Less expenses:		
Manpower costs	128.9	117.1
Other operating and administrative expenses	104.5	96.2
Net loss	<b>36.5</b>	19.3

## 11 Manpower costs

	Group	
	2014 HK\$'M	2013 HK\$'M
Salaries and wages	2,370.8	1,986.5
Pension costs – defined contribution retirement schemes	321.5	276.1
Pension costs – defined benefit retirement scheme (Note 25)	13.9	19.1
	<b>2,706.2</b>	<b>2,281.7</b>

## 12 Directors' and senior management's emoluments

### (a) Directors' emoluments

The remuneration paid to every director for the year ended 31st December 2014 for their service on the Board of the Company is set out below:

Name of director	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Total HK\$'M
Alfred Chan Wing Kin (Note)	0.2	5.8	26.2	5.4	37.6
Peter Wong Wai Yee (Note)	0.2	2.7	3.0	2.8	8.7
Lee Chau Kee	0.6	0.2	–	–	0.8
Leung Hay Man	0.5	–	–	–	0.5
Colin Lam Ko Yin	0.2	0.1	–	–	0.3
Lee Ka Kit	0.2	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	0.2
David Li Kwok Po	0.6	0.1	–	–	0.7
Poon Chung Kwong	0.6	–	–	–	0.6
	<b>3.3</b>	<b>8.9</b>	<b>29.2</b>	<b>8.2</b>	<b>49.6</b>

### Note

Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee each received directors' emoluments of HK\$0.2 million and HK\$5.4 million (2013: HK\$0.2 million and HK\$5.0 million) respectively, and no share-based payments were received during the year and 2013.

## 12 Directors' and senior management's emoluments (Continued)

### (a) Directors' emoluments (Continued)

The remuneration paid to every director for the year ended 31st December 2013 for their service on the Board of the Company is set out below:

Name of director	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Total HK\$'M
Alfred Chan Wing Kin (Note)	0.2	5.6	25.7	5.2	36.7
Peter Wong Wai Yee (Note)	0.1	2.5	2.0	2.8	7.4
Lee Shau Kee	0.3	0.2	–	–	0.5
Leung Hay Man	0.3	–	–	–	0.3
Colin Lam Ko Yin	0.2	–	–	–	0.2
Lee Ka Kit	0.2	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	0.2
David Li Kwok Po	0.3	0.1	–	–	0.4
Poon Chung Kwong	0.3	–	–	–	0.3
James Kwan Yuk Choi	–	1.5	0.8	0.3	2.6
	2.1	9.9	28.5	8.3	48.8

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK\$41.4 million (2013: HK\$40.5 million) and post-employment benefits of HK\$8.2 million (2013: HK\$8.3 million) paid to the Group's senior management during the year ended 31st December 2014. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's senior management during the year (2013: nil).

### (b) Five highest paid individuals

The above analysis includes two (2013: two) individuals whose emoluments were among the five highest in the Group. Details of the emoluments payable to the remaining three (2013: three) individuals are as follows:

	Group	
	2014 HK\$'M	2013 HK\$'M
Fee, salaries, allowances and benefits in kind	8.2	8.0
Performance bonus	12.3	11.7
Contributions to retirement scheme	2.9	2.8
	23.4	22.5

## 12 Directors' and senior management's emoluments (Continued)

### (b) Five highest paid individuals (Continued)

Number of individuals whose emoluments fell within:

Emoluments band (HK\$'M)	2014	2013
9.0 – 10.0	1	–
8.0 – 9.0	–	1
7.0 – 8.0	1	1
6.0 – 7.0	1	–
5.0 – 6.0	–	1

### (c) Emoluments of senior management

Senior management for the years ended 31st December 2014 and 2013 were all executive directors of the Company whose emoluments have been shown in directors' emoluments above.

## 13 Taxation

The amount of taxation charged to the income statement represents:

	Group	
	2014 HK\$'M	2013 HK\$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year	640.6	636.2
Current taxation – provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year	762.9	640.4
Current taxation – over provision in prior years	(15.4)	(2.1)
Deferred taxation – origination and reversal of temporary differences	252.1	249.1
Withholding tax	131.2	131.6
	<b>1,771.4</b>	<b>1,655.2</b>

### 13 Taxation (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Group	
	2014 HK\$'M	2013 HK\$'M
Profit before taxation	9,874.6	9,410.8
Less: Share of results of associates	(1,725.1)	(1,389.1)
Share of results of joint ventures	(1,489.5)	(1,282.8)
	<b>6,660.0</b>	<b>6,738.9</b>
Calculated at a tax rate of 16.5% (2013: 16.5%)	1,098.9	1,111.9
Effect of different tax rates in other countries	350.7	301.2
Income not subject to taxation	(125.8)	(142.1)
Expenses not deductible for taxation purposes	224.8	224.1
Utilisation of previously unrecognised tax losses	(2.3)	(7.1)
Over provision in prior years	(15.4)	(2.1)
Withholding tax	131.2	131.6
Others	109.3	37.7
	<b>1,771.4</b>	<b>1,655.2</b>

Share of associates' taxation for the year ended 31st December 2014 of HK\$398.6 million (2013: HK\$400.1 million) is included in the income statement as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2014 of HK\$549.1 million (2013: HK\$604.5 million) is included in the income statement as share of results of joint ventures.

### 14 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$3,351.7 million (2013: HK\$3,280.9 million).

### 15 Dividends

	Company	
	2014 HK\$'M	2013 HK\$'M
Interim, paid of HK12 cents per ordinary share (2013: HK12 cents per ordinary share)	1,261.9	1,147.2
Final, proposed of HK23 cents per ordinary share (2013: HK23 cents per ordinary share)	2,417.8	2,198.7
	<b>3,679.7</b>	<b>3,345.9</b>

## 15 Dividends (Continued)

At a meeting held on 18th March 2015, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2014. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2014.

## 16 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$7,109.2 million (2013: HK\$6,853.8 million) and the weighted average 10,514,750,553 shares (2013: 10,515,637,553 shares<sup>1</sup>) in issue after adjusting for the shares repurchased during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the years 2014 and 2013, the diluted earnings per share for the years ended 31st December 2014 and 2013 are approximately the same as the basic earnings per share.

<sup>1</sup> Adjusted for the bonus issue in 2014

## 17 Property, plant and equipment

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining and oil properties HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
<b>Group</b>							
Cost							
At 1st January 2014	15,868.8	25,448.7	3,046.3	5,860.2	870.3	7,645.3	58,739.6
Additions	580.0	418.2	278.3	179.4	20.4	5,269.0	6,745.3
Acquisition of businesses (Note 45)	83.1	234.1	–	–	–	20.9	338.1
Transfers from capital work in progress	648.8	2,368.9	0.4	16.5	–	(3,034.6)	–
Disposals/write off	(166.1)	(39.5)	(97.4)	(0.7)	(7.8)	–	(311.5)
Exchange differences	(286.4)	(407.9)	(3.1)	(88.3)	(21.6)	(141.7)	(949.0)
At 31st December 2014	16,728.2	28,022.5	3,224.5	5,967.1	861.3	9,758.9	64,562.5
Accumulated depreciation							
At 1st January 2014	5,449.9	5,501.0	2,041.0	200.1	96.7	–	13,288.7
Charge for the year	812.2	699.4	236.1	174.7	16.6	–	1,939.0
Disposals/write off	(133.8)	(18.2)	(83.5)	(0.2)	(0.2)	–	(235.9)
Exchange differences	(54.7)	(58.6)	(1.7)	(6.3)	(3.0)	–	(124.3)
At 31st December 2014	6,073.6	6,123.6	2,191.9	368.3	110.1	–	14,867.5
Net book value							
At 31st December 2014	10,654.6	21,898.9	1,032.6	5,598.8	751.2	9,758.9	49,695.0
At 31st December 2013	10,418.9	19,947.7	1,005.3	5,660.1	773.6	7,645.3	45,450.9

## 17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
<b>Company</b>					
Cost					
At 1st January 2014	4,573.2	9,661.3	2,922.8	1,645.7	18,803.0
Additions	97.7	–	280.6	648.5	1,026.8
Transfers from capital work in progress	0.3	740.1	–	(740.4)	–
Disposals/write off	(44.9)	(31.1)	(87.9)	–	(163.9)
At 31st December 2014	4,626.3	10,370.3	3,115.5	1,553.8	19,665.9
Accumulated depreciation					
At 1st January 2014	3,403.7	3,649.2	1,971.9	–	9,024.8
Charge for the year	168.4	251.9	230.2	–	650.5
Disposals/write off	(42.8)	(15.7)	(75.2)	–	(133.7)
At 31st December 2014	3,529.3	3,885.4	2,126.9	–	9,541.6
Net book value					
At 31st December 2014	1,097.0	6,484.9	988.6	1,553.8	10,124.3
At 31st December 2013	1,169.5	6,012.1	950.9	1,645.7	9,778.2

## 17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining and oil properties HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
<b>Group</b>							
<b>Cost</b>							
At 1st January 2013	11,505.7	22,322.7	2,880.0	5,836.1	798.4	8,968.4	52,311.3
Additions	408.0	461.2	220.7	147.9	42.4	4,496.3	5,776.5
Acquisition of businesses	90.4	159.6	–	–	–	67.3	317.3
Disposal of a subsidiary	(71.7)	(124.6)	–	–	–	(36.0)	(232.3)
Transfers from capital work in progress	3,926.8	2,202.7	0.3	–	–	(6,129.8)	–
Disposals/write off	(162.2)	(39.7)	(59.6)	(2.4)	–	(2.5)	(266.4)
Exchange differences	171.8	466.8	4.9	(121.4)	29.5	281.6	833.2
At 31st December 2013	15,868.8	25,448.7	3,046.3	5,860.2	870.3	7,645.3	58,739.6
<b>Accumulated depreciation</b>							
At 1st January 2013	4,894.9	4,843.9	1,848.6	108.0	65.9	–	11,761.3
Charge for the year	670.7	628.8	231.9	90.9	27.5	–	1,649.8
Disposal of a subsidiary	(32.2)	(16.6)	–	–	–	–	(48.8)
Disposals/write off	(129.9)	(20.4)	(41.9)	(0.2)	–	–	(192.4)
Exchange differences	46.4	65.3	2.4	1.4	3.3	–	118.8
At 31st December 2013	5,449.9	5,501.0	2,041.0	200.1	96.7	–	13,288.7
<b>Net book value</b>							
At 31st December 2013	10,418.9	19,947.7	1,005.3	5,660.1	773.6	7,645.3	45,450.9
At 31st December 2012	6,610.8	17,478.8	1,031.4	5,728.1	732.5	8,968.4	40,550.0

## 17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
<b>Company</b>					
<b>Cost</b>					
At 1st January 2013	4,512.6	9,543.6	2,759.2	1,180.6	17,996.0
Additions	122.1	–	219.6	603.3	945.0
Transfers from capital work in progress	–	138.0	0.2	(138.2)	–
Disposals/write off	(61.5)	(20.3)	(56.2)	–	(138.0)
At 31st December 2013	4,573.2	9,661.3	2,922.8	1,645.7	18,803.0
<b>Accumulated depreciation</b>					
At 1st January 2013	3,299.1	3,420.7	1,785.7	–	8,505.5
Charge for the year	166.1	241.7	225.5	–	633.3
Disposals/write off	(61.5)	(13.2)	(39.3)	–	(114.0)
At 31st December 2013	3,403.7	3,649.2	1,971.9	–	9,024.8
<b>Net book value</b>					
At 31st December 2013	1,169.5	6,012.1	950.9	1,645.7	9,778.2
At 31st December 2012	1,213.5	6,122.9	973.5	1,180.6	9,490.5

## 18 Investment property

	Group	
	2014 HK\$'M	2013 HK\$'M
At 1st January	646.0	540.0
Fair value gain (Note 7)	34.3	106.0
Others	2.7	–
At 31st December	683.0	646.0

The Group's interest in the commercial investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2014 by an independent professionally qualified valuer, Knight Frank Petty Limited, which conforms to the The HKIS Valuation Standards on Properties (2012 Edition) shown in Note 4 (c).

### **Fair value measurements using significant unobservable inputs**

Fair value of completed commercial property in Hong Kong is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements using significant unobservable inputs is as follows:

Unobservable inputs	Commercial complex	Car park	Relationship of unobservable inputs to fair value
Capitalisation rate	5.4%	9.0%	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK\$16.5/sq.ft.	N/A	The higher the market rent, the higher the fair value

### **Valuation processes of the Group**

The Group's finance division includes a team that reviews and analyses the valuation performed by the independent valuer for financial reporting purposes. At each financial year end the finance division:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared with the prior year valuation report;
- Holds discussions with the independent valuer.

## 19 Leasehold land

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Held in Hong Kong:				
Leases of 10 to 50 years	325.0	334.6	238.9	245.9
Held outside Hong Kong:				
Leases of 10 to 50 years	1,333.6	1,216.8	–	–
	<b>1,658.6</b>	<b>1,551.4</b>	<b>238.9</b>	<b>245.9</b>

The Group's interests in leasehold land and land use rights movements during the year are analysed as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
At 1st January	1,551.4	1,364.1	245.9	218.8
Additions	114.7	207.9	–	33.4
Acquisition of businesses (Note 45)	70.5	17.3	–	–
Disposals	(7.2)	(34.5)	–	–
Amortisation	(41.9)	(41.5)	(7.0)	(6.3)
Exchange differences	(28.9)	38.1	–	–
At 31st December	<b>1,658.6</b>	<b>1,551.4</b>	<b>238.9</b>	<b>245.9</b>

## 20 Intangible assets

	Group	
	2014 HK\$'M	2013 HK\$'M
<b>(a) Goodwill</b>		
At 1st January	5,183.2	3,769.7
Acquisition of businesses (Note 45)	244.9	1,359.6
Exchange differences	(79.8)	53.9
At 31st December	5,348.3	5,183.2
<b>(b) Other intangible asset</b>		
Cost		
At 1st January	83.1	83.1
Acquisition of businesses (Note 45)	458.8	–
At 31st December	541.9	83.1
Accumulated amortisation		
At 1st January	(13.0)	(7.4)
Amortisation	(18.7)	(5.6)
At 31st December	(31.7)	(13.0)
Net book value		
At 31st December	510.2	70.1
<b>Total intangible assets</b>	<b>5,858.5</b>	<b>5,253.3</b>

Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose, majority related to segment – gas, water and related businesses in mainland China. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on either fair value less costs of disposal or value in use calculations. The fair value less costs of disposal is by referencing to an active market. The value in use calculations are derived from cash flow projections based on the most recent financial budget for the next five years approved by management. Cash flows beyond five year period have been extrapolated using growth rates from 0.0 per cent to 15.0 per cent (2013: 0.0 per cent to 15.0 per cent) per annum which are determined by considering both internal and external factors relating to the cash-generating units. Discount rate used of 7.6 per cent or 10.0 per cent (2013: 7.6 per cent or 10.0 per cent) is adopted to reflect specific risks relating to the relevant cash-generating units. Based on impairment tests prepared, there is no impairment for intangible assets as at 31st December 2014 and 2013.

Assuming growth rate decreased by 25 basis points or discount rate increased by 25 basis points, there is still adequate headroom and no impairment charge is required.

## 21 Subsidiaries

	Company	
	2014 HK\$'M	2013 HK\$'M
Investments in subsidiaries	339.2	339.2
Loan and other receivables from subsidiaries – non-current	16,994.3	17,929.4
	<b>17,333.5</b>	<b>18,268.6</b>
Loan receivables from subsidiaries – current	331.6	398.8
Loan and other payables to subsidiaries – non-current	(14,519.4)	(14,416.2)

Loan and other receivables from/(payables to) subsidiaries are analysed below:

- (i) Loan receivables from subsidiaries in Hong Kong of HK\$2,254.1 million (2013: HK\$2,428.7 million) with effective interest rate ranging from 1.88 per cent to 3.86 per cent per annum (2013: 2.38 per cent to 3.86 per cent per annum) are unsecured. Except for HK\$1,260.3 million (2013: HK\$1,434.9 million) with no fixed term of repayment, remaining balance is fully repayable in 2016 to 2018 (2013: 2016 to 2018).
- (ii) Loan receivables from subsidiaries in the PRC of HK\$331.6 million (2013: HK\$398.8 million) are denominated in USD, unsecured and repayable in 2015. They bear interest at the fixed rate of 7.5 per cent or the prevailing lending rate quoted by The People's Bank of China Rate in both years.
- (iii) Loan payable to a subsidiary in Hong Kong of HK\$1,350 million (2013: HK\$1,350.0 million) with fixed interest rate of 6 per cent per annum (2013: 6 per cent) is unsecured and have no fixed terms of repayment.
- (iv) The net remaining balances are unsecured, interest free and have no fixed terms of repayment.

Loan and other payables to subsidiaries denominated in the following currencies:

	Company	
	2014 HK\$'M	2013 HK\$'M
HKD	7,755.8	7,819.5
USD	5,530.8	5,386.7
RMB	1,232.1	1,201.9
Others	0.7	8.1
	<b>14,519.4</b>	<b>14,416.2</b>

Other receivables from subsidiaries are neither past due nor impaired and there is no history of default. The principal subsidiaries of the Company are shown on pages 164 to 172 of the accounts.

Towngas China is a company listed in The Stock Exchange of Hong Kong Limited. The market value of the Group's investment in Towngas China amounted to HK\$12,910.0 million as at 31st December 2014 (2013: HK\$14,637.3 million).

## 21 Subsidiaries (Continued)

### Material non-controlling interests

The total non-controlling interest as at 31st December 2014 is HK\$7,241.7 million (2013: HK\$6,502.9 million) of which HK\$4,717.4 million (2013: HK\$4,176.9 million) is attributable to Towngas China and for the non-controlling interest in respect of other individual subsidiaries of the Group is not material.

Set out below are the summarised financial information of Towngas China. The information below is the amount before inter-company eliminations.

	Towngas China	
	2014 HK\$'M	2013 HK\$'M
<b>Summarised balance sheet</b>		
<b>Assets</b>		
Non-current assets	19,121.7	16,631.6
Current assets	4,360.9	5,042.1
	<b>23,482.6</b>	<b>21,673.7</b>
<b>Liabilities</b>		
Non-current liabilities	(5,832.7)	(4,994.2)
Current liabilities	(7,081.8)	(7,162.8)
	<b>(12,914.5)</b>	<b>(12,157.0)</b>
<b>Net assets</b>	<b>10,568.1</b>	<b>9,516.7</b>
	Towngas China	
	2014 HK\$'M	2013 HK\$'M
<b>Summarised income statement and comprehensive income statement</b>		
Revenue	7,881.8	6,715.7
Profit before taxation	1,531.1	1,608.8
Taxation	(350.1)	(382.5)
Profit for the year	1,181.0	1,226.3
Other comprehensive income	(334.3)	302.7
Total comprehensive income	846.7	1,529.0
Total comprehensive income attributable to non-controlling interests	80.5	144.2
Dividend paid to non-controlling shareholders	66.9	34.4

## 21 Subsidiaries (Continued)

Summarised cash flows	Towngas China	
	2014 HK\$'M	2013 HK\$'M
Net cash generated from operating activities	1,258.3	1,050.5
Net cash used in investing activities	(2,595.0)	(2,983.2)
Net cash inflow from financing activities	642.8	1,607.0
Net decrease in cash and cash equivalents	(693.9)	(325.7)
Cash and cash equivalents at beginning of year	2,230.4	2,479.5
Effect of foreign exchange rate changes	(84.8)	76.6
Cash and cash equivalents at end of year	1,451.7	2,230.4

## 22 Associates

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Investments in associates, including goodwill	16,787.3	15,968.3	–	–
Loans to associates – non-current	785.2	1,046.8	–	–
	17,572.5	17,015.1	–	–
Loan and other receivables from associates – current	115.1	116.5	37.6	36.1

Loan and other receivables from associates are analysed below:

- (i) Loans to associates in mainland China of HK\$794.3 million (2013: HK\$506.9 million) with effective interest rates ranging from 6.00 per cent to 6.65 per cent per annum (2013: 6.55 per cent to 7.26 per cent per annum) are unsecured and fully repayable in 2015 to 2017 (2013: 2014 to 2017).
- (ii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.
- (iii) Loan and other receivables from associates are neither past due nor impaired and there is no history of default.
- (iv) Loan and other receivables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	–	559.1	–	–
USD	516.8	487.7	37.6	36.1
RMB	383.5	116.5	–	–
	900.3	1,163.3	37.6	36.1

## 22 Associates (Continued)

Particulars of the principal associates as at 31st December 2014 are listed below:

Name	Note	Issued share capital/registered capital	Percentage of the Group's equity interest	Place of incorporation/operation	Principal activity
Fengcheng Xingao Coking Co., Ltd.		RMB350.0 million	40	PRC	Chemical business
Jiangxi Feng Long Mining Company Limited		RMB236.1 million	25	PRC	Coal related businesses
China-Singapore Suzhou Industrial Park Broad Energy Services Co. Ltd.		RMB71.1 million	25	PRC	Cooling and heating system business
Hainan Petrochina Kunlun Hong Kong & China Gas Company Limited		RMB50.4 million	49	PRC	Gas sales and related businesses
Shenzhen Gas Corporation Limited	(ii)	RMB1,980.5 million	26.8	PRC	Gas sales and related businesses
港華儲氣有限公司		RMB100 million	64	PRC	Gas storage project
Central Waterfront Property Investment Holdings Limited	(i)	100 shares of US\$1 each	15.8	British Virgin Islands/ Hong Kong	Investment holding
GH-Fusion Limited		200 shares of US\$1 each	50	British Virgin Islands	Investment holding
<sup>1</sup> 江蘇海企港華燃氣發展有限公司		RMB204.0 million	35	PRC	LNG refilling station for vessels
Hangzhou Natural Gas Company Limited		RMB1,195.0 million	24	PRC	Mid-stream natural gas and piped city-gas project
Anhui Province Natural Gas Development Company Limited		RMB252.0 million	27.5	PRC	Mid-stream natural gas project
Hebei Natural Gas Company Limited		RMB920.0 million	45	PRC	Mid-stream natural gas project
河南省中原石油天然氣管網有限公司		RMB50.0 million	49	PRC	Mid-stream natural gas project
Lane Success Development Limited		HK\$10,000	45	Hong Kong	Property development
Towngas DETA Telecom (Dalian) Co., Ltd.		RMB10.0 million	49	PRC	Telecommunications business
<sup>2</sup> 中經名氣網絡技術(北京)有限公司		RMB10.0 million	49	PRC	Telecommunications business
Shanxi Yuanping Guoxin Compressed Natural Gas Co. Limited		RMB20.0 million	42	PRC	Vehicular fuel refilling station
中新蘇州工業園區環保技術有限公司		RMB185.0 million	49	PRC	Water treatment project

<sup>1</sup> Newly acquired during the year

<sup>2</sup> Newly formed during the year

## 22 Associates (Continued)

Particulars of the principal associates as at 31st December 2014 are listed below:

Name	Note	Issued share capital/registered capital	Percentage of the Group's equity interest	Place of incorporation/operation	Principal activity
<b>Held by Towngas China</b>					
Bozhou WanHua Gas Company Ltd.		RMB30.0 million	49	PRC	Gas sales and related businesses
Changchun Gas Company Limited		RMB529.6 million	25	PRC	Gas sales and related businesses
Dalian DETA Hong Kong and China Gas Co., Ltd.		RMB137.2 million	40	PRC	Gas sales and related businesses
Foshan Gas Group Ltd.		RMB500.0 million	43	PRC	Gas sales and related businesses
Fuzhou Fubei Natural Gas Co., Ltd.		RMB16.0 million	40	PRC	Gas sales and related businesses
Linqu Hong Kong & China Gas Company Limited		US\$5.7 million	42.4	PRC	Gas sales and related businesses
Shandong Jihua Gas Co., Ltd.		RMB400.0 million	49	PRC	Gas sales and related businesses
Shijiazhuang Huabo Gas Co., Ltd.		RMB5.0 million	45	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Ltd.		RMB100.0 million	27	PRC	Gas sales and related businesses

### Notes

- (i) The Group has an effective interest of approximately 15.8 per cent in the IFC complex through its interest in Central Waterfront Property Investment Holdings Limited ("CWPI"). With the Group's presence on the board of directors of CWPI and participation in the financial and operating policies of the IFC complex, the Group could exercise significant influence over CWPI and accordingly the investment is accounted for as an associate.
- (ii) Shenzhen Gas Corporation Limited ("SGCL") is a listed Company on the Shanghai Stock Exchange. As at 31st December 2014, the Group held 531,341,235 shares (2013: 531,341,235 shares) of SGCL or approximately 26.8 per cent equity interest of SGCL. The carrying value and the market value of the Group's investment as at 31st December 2014 in SGCL amounted to HK\$1,716.0 million (2013: HK\$1,656.8 million) and HK\$5,478.1 million (2013: HK\$5,381.0 million) respectively.

## 22 Associates (Continued)

The following amounts represent the Group's share of income and results of the associates and are included in the consolidated income statement and comprehensive income statement:

	Group	
	2014 HK\$'M	2013 HK\$'M
Income	11,295.9	10,030.2
Expenses, including taxation	(9,570.8)	(8,641.1)
Profit after taxation	1,725.1	1,389.1
Other comprehensive income/(loss)	2.6	(1.7)
Total comprehensive income	1,727.7	1,387.4

Set out below are the summarised financial information of CWPI which is considered to be the only material associate in the Group and it is accounted for using the equity method. CWPI holds IFC complex as the commercial investment property for rental income in Hong Kong.

	CWPI	
	2014 HK\$'M	2013 HK\$'M
<b>Summarised Balance Sheet</b>		
<b>Assets</b>		
Non-current assets	79,801.1	77,349.3
Current assets	866.6	1,019.2
	80,667.7	78,368.5
<b>Liabilities</b>		
Non-current liabilities	(18,204.8)	(18,236.6)
Current liabilities	(1,960.3)	(1,744.8)
	(20,165.1)	(19,981.4)
<b>Net assets</b>	60,502.6	58,387.1

	CWPI	
	2014 HK\$'M	2013 HK\$'M
<b>Summarised income statement and comprehensive income statement</b>		
Income	8,215.2	6,222.9
Expenses, including taxation	(2,616.3)	(2,525.4)
Profit after taxation	5,598.9	3,697.5
Other comprehensive loss	16.6	(10.7)
Total comprehensive income	5,615.5	3,686.8
Dividend received from the associate	552.7	484.8

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associate.

## 22 Associates (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate:

	CWPI	
	2014 HK\$'M	2013 HK\$'M
<b>Net assets</b>		
At 1st January	58,387.1	57,770.3
Profit for the year	5,598.9	3,697.5
Other comprehensive loss	16.6	(10.7)
Dividend paid	(3,500.0)	(3,070.0)
At 31st December	60,502.6	58,387.1
	Group	
	2014 HK\$'M	2013 HK\$'M
<b>Carrying value</b>		
Interest in associate (15.79%)	9,553.4	9,219.3

## 23 Joint ventures

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Investments in joint ventures, including goodwill	8,573.2	8,537.1	850.8	850.8
Loans to joint ventures – non-current	460.6	401.9	24.6	59.6
	9,033.8	8,939.0	875.4	910.4
Loan and other receivables from joint ventures – current	1,239.2	1,664.7	11.6	7.6
Amounts due to joint ventures – current	(677.7)	(596.6)	(0.6)	(0.6)

Loan and other receivables from joint ventures are analysed below:

- (i) Loans to joint ventures in mainland China of HK\$731.0 million (2013: HK\$1,197.6 million) with effective interest rates ranging from 3.06 per cent to 7.08 per cent per annum (2013: 2.88 per cent to 7.87 per cent per annum) are unsecured and fully repayable in 2015 to 2017 (2013: 2014 to 2016).
- (ii) Loans to a joint venture in Hong Kong of HK\$77.5 million (2013: HK\$97.0 million) with effective interest rates of 2.8 per cent per annum (2013: 2.8 per cent per annum) is unsecured and have no fixed terms of repayment.
- (iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.
- (iv) Loan and other receivables from joint ventures are neither past due nor impaired and there is no history of default.

## 23 Joint ventures (Continued)

- (v) Loans and other receivables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	103.9	156.5	36.2	67.2
USD	142.7	173.3	–	–
RMB	1,453.2	1,736.8	–	–
	<b>1,699.8</b>	<b>2,066.6</b>	<b>36.2</b>	<b>67.2</b>

Amounts due to joint ventures are analysed below:

- (i) Amount due to a joint venture of HK\$380.0 million (2013: HK\$260.0 million) with effective interest rate of 6.12 per cent per annum (2013: 6.12 per cent per annum) is unsecured and repayable in 2015.
- (ii) Amounts due to joint ventures of HK\$275.0 million (2013: HK\$265.7 million) with effective interest rate of 3.60 per cent per annum (2013: 3.60 per cent per annum) are unsecured and have no fixed terms of repayment.
- (iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.
- (iv) Amounts due to joint ventures are denominated in RMB (2013: denominated in RMB).

Particulars of the principal joint ventures as at 31st December 2014 are listed below:

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
# Beijing Beiran & HKCG Gas Company Limited	RMB44.4 million	50	PRC	Gas sales and related businesses
Changzhou Hong Kong and China Gas Company Limited	RMB166.0 million	50	PRC	Gas sales and related businesses
Jinan Hong Kong and China Gas Company Limited	RMB470.0 million	49	PRC	Gas sales and related businesses
Nanjing Hong Kong and China Gas Company Limited	RMB600.0 million	50	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Company Limited	RMB200.0 million	55	PRC	Gas sales and related businesses
# Tongling Hong Kong and China Gas Company Limited	RMB100.0 million	70	PRC	Gas sales and related businesses
Wuhan Natural Gas Company Limited	RMB420.0 million	49	PRC	Gas sales and related businesses
# Xian Qinhua Natural Gas Company Limited	RMB1,000.0 million	49	PRC	Gas sales and related businesses

# Direct joint ventures of the Company

## 23 Joint ventures (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Zhangjiagang Hong Kong and China Gas Company Limited	RMB100.0 million	50	PRC	Gas sales and related businesses
Jilin Province Natural Gas Limited Company	RMB220.0 million	49	PRC	Mid-stream natural gas project
Yieldway International Limited	HK\$2	50	Hong Kong	Property development
Maanshan ECO Auto Fuel Company Limited	RMB10.5 million	30	PRC	Vehicular fuel refilling station
Suzhou Industrial Park Qingyuan Hong Kong & China Water Company Limited	RMB1,597.0 million	50	PRC	Water supply and sewage treatment
<b>Held by Towngas China</b>				
Anqing Hong Kong and China Gas Company Limited	RMB73.0 million	50	PRC	Gas sales and related businesses
Chongqing Hong Kong and China Gas Company Limited	RMB20.0 million	50	PRC	Gas sales and related businesses
Hangzhou Hong Kong and China Gas Company Limited	US\$20.0 million	50	PRC	Gas sales and related businesses
Maanshan Hong Kong and China Gas Company Limited	US\$13.0 million	50	PRC	Gas sales and related businesses
Taian Taishan Hong Kong and China Gas Company Limited	RMB80.0 million	50	PRC	Gas sales and related businesses
Weifang Hong Kong and China Gas Company Limited	US\$16.9 million	50	PRC	Gas sales and related businesses
Weihai Hong Kong and China Gas Company Limited	RMB99.2 million	50	PRC	Gas sales and related businesses
Wuhu Hong Kong & China Gas Company Limited	RMB52.8 million	50	PRC	Gas sales and related businesses
Zibo Hong Kong and China Gas Company Limited	RMB56.0 million	50	PRC	Gas sales and related businesses

The following amounts represent the Group's share of income and results of the joint ventures and are included in the consolidated income statement and comprehensive income statement:

	Group	
	2014 HK\$'M	2013 HK\$'M
Income	12,631.3	11,173.6
Expenses, including taxation	(11,141.8)	(9,890.8)
Profit after taxation and total comprehensive income	1,489.5	1,282.8

No individual joint ventures are considered to be material in the Group.

## 24 Available-for-sale financial assets

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Debt securities (Note (a))	520.1	746.3	–	–
Equity securities (Note (b))	2,079.6	2,191.0	47.3	44.5
	<b>2,599.7</b>	<b>2,937.3</b>	<b>47.3</b>	<b>44.5</b>
Market value of listed investments	1,908.9	2,100.1	47.3	44.5

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	206.6	147.3	–	–
Listed – overseas	313.5	599.0	–	–
	<b>520.1</b>	<b>746.3</b>	<b>–</b>	<b>–</b>
(b) Equity securities				
Listed – Hong Kong	1,260.9	1,169.4	47.3	44.5
Listed – overseas	127.9	184.4	–	–
Unlisted (Note (c))	690.8	837.2	–	–
	<b>2,079.6</b>	<b>2,191.0</b>	<b>47.3</b>	<b>44.5</b>

- (c) Included in the unlisted equity securities of HK\$478.1 million (2013: HK\$485.1 million) are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.
- (d) In 2008 under a rare circumstance, the Group reclassified debt and equity securities that are no longer held for the purpose of selling in the near term out of the financial assets at fair value through profit or loss category into available-for-sale category.

As at 31st December 2014, the fair values of debt and equity securities assets reclassified during 2008 are HK\$22.2 million (2013: HK\$37.2 million).

If the Group had not reclassified the debt and equity securities during 2008, fair value gain recognised for the year in the income statement will be decreased by HK\$1.3 million (2013: decreased by HK\$6.7 million).

## 24 Available-for-sale financial assets (Continued)

Notes (Continued)

(e) Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	1,260.9	1,169.4	47.3	44.5
USD	736.5	1,219.9	–	–
RMB	595.8	525.8	–	–
Others	6.5	22.2	–	–
	<b>2,599.7</b>	<b>2,937.3</b>	<b>47.3</b>	<b>44.5</b>

## 25 Retirement benefit (liabilities)/assets

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 31st December	(5.9)	66.3

The Group operates a defined benefit retirement scheme in Hong Kong, namely the Workmen Retirement Scheme which is a final salary defined benefit scheme.

The amounts recognised in the balance sheet are shown as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
Fair value of plan assets	538.7	529.9
Present value of funded obligations	(544.6)	(463.6)
Net (liabilities)/assets in the balance sheet	(5.9)	66.3

The plan assets did not include any ordinary shares of the Company as at 31st December 2014 (2013: nil).

The cost of the defined benefit retirement scheme recognised in the income statement is as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
Current service cost	15.7	18.8
Net interest (income)/cost	(1.9)	0.2
Administrative expenses	0.1	0.1
Total (Note 11)	<b>13.9</b>	<b>19.1</b>

## 25 Retirement benefit (liabilities)/assets (Continued)

The amounts recognised in the other comprehensive income are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
Actuarial loss due to liability experience	5.5	7.6
Actuarial loss/(gain) due to financial assumption changes	63.2	(86.9)
Actuarial losses/(gains)	68.7	(79.3)
Return on plan assets, excluding amounts included in interest income	(5.7)	(31.6)
<b>Total</b>	<b>63.0</b>	<b>(110.9)</b>

The movements in the defined benefit obligations are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 1st January	463.6	538.2
Current service cost	15.7	18.8
Interest cost	11.7	4.2
Benefits paid	(15.1)	(18.3)
Actuarial losses/(gains)	68.7	(79.3)
<b>At 31st December</b>	<b>544.6</b>	<b>463.6</b>

The movements in the fair value of plan assets are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 1st January	529.9	508.0
Return on plan assets, excluding amounts included in interest income	5.7	31.6
Interest income recognised in income statement	13.6	4.0
Contribution paid by employer	4.7	4.7
Benefits paid	(15.1)	(18.3)
Administrative expenses	(0.1)	(0.1)
<b>At 31st December</b>	<b>538.7</b>	<b>529.9</b>

## 25 Retirement benefit (liabilities)/assets (Continued)

The movements in the (liabilities)/assets recognised in the balance sheet are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 1st January	66.3	(30.2)
Remeasurement effects recognised in other comprehensive income	(63.0)	110.9
Total cost of defined benefit retirement scheme (Note 11)	(13.9)	(19.1)
Contribution paid by employer	4.7	4.7
At 31st December	(5.9)	66.3

The major categories of plan assets as a percentage of total plan assets are as follows:

	Group and Company	
	2014 %	2013 %
Equity securities	77.0	78.0
Debt securities	17.0	15.0
Cash	6.0	7.0

The principal actuarial assumptions used are as follows:

	Group and Company	
	2014 %	2013 %
Discount rate	2.1	2.6
Expected rate of future salary increases	4.5	4.0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.2%	Increase by 3.3%
Maximum salary scale increase rate	0.25%	Increase by 2.0%	Decrease by 2.4%

## 25 Retirement benefit (liabilities)/assets (Continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected contributions to the scheme for the year ending 31st December 2015 are HK\$4.6 million.

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment Risk	Strong investment returns tend to increase the fair value of scheme assets and therefore improve the scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position. The scheme assets are invested in a diversified portfolio of equities, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical locations helps to reduce the concentration of risk associated with the scheme investments.
Interest rate risk	The defined benefit obligation (the "DBO") is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the DBO.
Salary risk	The DBO is calculated with reference to the future salaries of members because the scheme's benefits are salary-related. Salary increases that are higher than expected will increase the DBO.

The weighted average duration of the benefit obligation is 12.7 years. Expected maturity analysis of benefit undiscounted payments:

	Within 5 years HK\$'M	Beyond 5 years but within 10 years HK\$'M	Beyond 10 years HK\$'M
As 31st December 2014			
Expected benefit payments	97.1	140.9	835.9

## 26 Other non-current assets

	Group	
	2014 HK\$'M	2013 HK\$'M
Second mortgage loans receivable (Note (a))	9.7	12.6
Deferred consideration receivable (Note (b))	–	123.0
Aviation fuel facility construction receivable (Note (c))	2,239.7	2,133.6
Other receivables	152.3	156.6
	<b>2,401.7</b>	<b>2,425.8</b>

### Notes

- (a) Balance represents non-current portion of second mortgage loans to buyers of the Grand Waterfront developed by the Group which are denominated in HKD. Second mortgage loans are secured by the mortgaged properties, bear interest at prime rate and are repayable by instalments in periods ranging from 15 to 25 years from the dates of drawdown.
- (b) The balance represents consideration receivable in relation to disposal of certain subsidiaries of Towngas China in June 2009 for HK\$379.0 million which is to be settled in cash by the purchaser under five annual instalments of HK\$40.0 million each commencing from June 2010 for five years, and a balancing sum of HK\$179.0 million in June 2015. The amount is secured against the entire share capital of the holding company of the disposed subsidiaries of and interest free. The fair value of the deferred consideration at date of initial recognition is determined based on the estimated future cash flows discounted at 3.0 per cent per annum. The carrying value of the loan balance approximates the fair value as the impact of discount is not significant. The carrying amounts are analysed for reporting purpose as follows:

	2014 HK\$'M	2013 HK\$'M
Non-current assets	–	123.0
Current assets (included in trade and other receivables)	112.0	39.3
	<b>112.0</b>	<b>162.3</b>

The amount of deferred consideration receivable is within credit period. The directors of the Company consider the amounts will be recoverable because the purchaser is of sound financial position.

- (c) Aviation fuel facility construction receivable is denominated in HKD, unsecured and will be recovered by monthly instalments up to 2047.

## 27 Inventories

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Coal and oil	100.3	185.6	–	–
Stores and materials	1,517.1	1,638.2	517.9	655.3
Work in progress	665.8	559.3	643.9	542.8
	<b>2,283.2</b>	<b>2,383.1</b>	<b>1,161.8</b>	<b>1,198.1</b>

The Group wrote down the carrying value of inventories by HK\$37.4 million (2013: wrote down by HK\$15.1 million) to its net realisable value during the year.

## 28 Trade and other receivables

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Trade receivables (Note (a))	3,640.9	3,517.3	1,658.8	1,707.7
Payments in advance (Note (b))	1,995.5	1,763.6	3.4	5.2
Other receivables	1,339.3	1,286.7	191.1	171.4
	<b>6,975.7</b>	<b>6,567.6</b>	<b>1,853.3</b>	<b>1,884.3</b>

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
RMB	4,189.3	3,954.8	27.0	1.1
HKD	2,657.1	2,483.0	1,825.8	1,882.7
USD	115.2	126.8	0.3	0.1
Others	14.1	3.0	0.2	0.4
	<b>6,975.7</b>	<b>6,567.6</b>	<b>1,853.3</b>	<b>1,884.3</b>

## 28 Trade and other receivables (Continued)

### Notes

- (a) The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2014, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
0 – 30 days	3,097.6	3,067.8	1,455.0	1,556.4
31 – 60 days	99.3	80.7	44.9	41.2
61 – 90 days	97.3	37.9	50.1	18.6
Over 90 days	346.7	330.9	108.8	91.5
	<b>3,640.9</b>	<b>3,517.3</b>	<b>1,658.8</b>	<b>1,707.7</b>

- (i) At 31st December 2014, trade receivables of the Group and the Company that were neither past due nor impaired amounted to HK\$2,780.5 million (2013: HK\$2,666.4 million) and HK\$1,300.8 million (2013: HK\$1,384.6 million) respectively. These balances mainly relate to individuals or companies that have been the Group's or the Company's customers for more than 6 months and with no history of default in the past.
- (ii) Receivables that were past due but not impaired relate to a wide range of customers and management believes that no impairment provision is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
0 – 30 days	317.1	401.4	154.2	171.8
31 – 60 days	99.3	80.7	44.9	41.2
61 – 90 days	97.3	37.9	50.1	18.6
Over 90 days	346.7	330.9	108.8	91.5
	<b>860.4</b>	<b>850.9</b>	<b>358.0</b>	<b>323.1</b>

## 28 Trade and other receivables (Continued)

Notes (Continued)

(a) (Continued)

- (iii) As at 31st December 2014, trade receivables of the Group and the Company amounting to HK\$84.0 million (2013: HK\$84.7 million) and HK\$40.7 million (2013: HK\$41.7 million) respectively were impaired, all of which are aged over 90 days. The individually impaired receivables mainly relate to customers that have either been placed under liquidation or in severe financial difficulties.

The movements in the provision for impairment of trade receivables are as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
At 1st January	84.7	60.7	41.7	39.6
Impairment loss recognised	9.9	31.0	9.0	9.5
Uncollectible amounts written off	(10.3)	(7.4)	(10.0)	(7.4)
Exchange differences	(0.3)	0.4	–	–
At 31st December	84.0	84.7	40.7	41.7

- (b) Balance mainly represents prepayment for purchase of material and services in relation to the Group's gas and New Energy businesses in Hong Kong and mainland China. As at 31st December 2014, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

## 29 Financial assets at fair value through profit or loss

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Debt securities (Note (a))	672.7	618.8	–	–
Equity securities (Note (b))	34.9	42.5	–	–
Derivative financial instruments (Note 35)	11.2	–	–	–
	718.8	661.3	–	–
Market value of listed investments	707.6	661.3	–	–

## 29 Financial assets at fair value through profit or loss (Continued)

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	–	74.8	–	–
Listed – overseas	672.7	544.0	–	–
	<b>672.7</b>	<b>618.8</b>	<b>–</b>	<b>–</b>
(b) Equity securities				
Listed – Hong Kong	23.7	36.0	–	–
Listed – overseas	11.2	6.5	–	–
	<b>34.9</b>	<b>42.5</b>	<b>–</b>	<b>–</b>

Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
RMB	683.9	544.0	–	–
HKD	23.7	110.8	–	–
USD	11.2	6.5	–	–
	<b>718.8</b>	<b>661.3</b>	<b>–</b>	<b>–</b>

## 30 Time deposits, cash and bank balances

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Time deposits over three months	550.1	1,289.3	–	219.5
Time deposits up to three months	7,964.4	3,709.6	2,051.5	1,010.1
Cash and bank balances	4,641.1	5,139.4	131.2	210.3
	<b>12,605.5</b>	<b>8,849.0</b>	<b>2,182.7</b>	<b>1,220.4</b>

### 30 Time deposits, cash and bank balances (Continued)

The effective interest rates on time deposits in Hong Kong and mainland China are 3.31 per cent and 2.63 per cent per annum respectively (2013: 2.45 per cent and 2.37 per cent per annum). These deposits have average maturity dates within 92 days (2013: 60 days).

Time deposits, cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	2,429.2	992.9	386.4	154.2
USD	1,025.0	206.6	620.7	32.7
RMB	9,534.3	8,869.2	1,161.0	1,246.7
THB	149.8	57.9	–	–
Others	17.3	11.7	14.6	6.3
	<b>13,155.6</b>	<b>10,138.3</b>	<b>2,182.7</b>	<b>1,439.9</b>

### 31 Trade and other payables

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Trade payables (Note (a))	3,168.0	2,622.5	123.4	256.6
Other payables and accruals (Note (b))	8,774.6	8,649.8	760.9	631.9
	<b>11,942.6</b>	<b>11,272.3</b>	<b>884.3</b>	<b>888.5</b>

#### Notes

- (a) At 31st December 2014, the aging analysis of the trade payables is as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
0 – 30 days	1,404.8	1,384.2	118.3	256.1
31 – 60 days	323.9	197.4	5.1	0.5
61 – 90 days	335.9	252.9	–	–
Over 90 days	1,103.4	788.0	–	–
	<b>3,168.0</b>	<b>2,622.5</b>	<b>123.4</b>	<b>256.6</b>

- (b) The balance includes an amount of approximately HK\$45.7 million (2013: HK\$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront. Remaining balances mainly represents advance received from customers for construction works and accrual for services or goods received from suppliers.

### 31 Trade and other payables (Continued)

Notes (Continued)

(c) Trade and other payables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	1,399.0	1,249.0	803.3	695.6
USD	61.9	179.2	31.9	151.5
RMB	10,443.8	9,818.0	33.7	23.1
Others	37.9	26.1	15.4	18.3
	<b>11,942.6</b>	<b>11,272.3</b>	<b>884.3</b>	<b>888.5</b>

### 32 Borrowings

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
<b>Non-current</b>				
Bank and other loans	7,061.2	6,949.0	–	300.0
Guaranteed notes (Note (a))	17,423.1	17,452.1	–	–
	<b>24,484.3</b>	<b>24,401.1</b>	<b>–</b>	<b>300.0</b>
<b>Current</b>				
Bank and other loans	7,049.7	6,222.3	300.0	–
<b>Total borrowings</b>	<b>31,534.0</b>	<b>30,623.4</b>	<b>300.0</b>	<b>300.0</b>

Notes

(a) Guaranteed notes comprise:

- (i) The US\$1 billion guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 7th August 2008. The notes are unsecured and guaranteed by the Company as to repayment, carry a fixed coupon rate of 6.25 per cent per annum payable semi-annually in arrear and have a maturity term of 10 years. The notes are listed on The Stock Exchange of Hong Kong Limited. At 31st December 2014, notes with a principal amount of US\$995.0 million (2013: US\$995.0 million), which is equivalent to HK\$7,716.2 million (2013: HK\$7,715.2 million), are outstanding in the market and the market value of the notes was HK\$8,803.1 million (2013: HK\$8,837.7 million).
- (ii) The HK\$10,360.2 million (2013: HK\$10,210.2 million) guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 18th December 2014. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates ranging from 1.19 per cent to 6.43 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 5 to 40 years.

## 32 Borrowings (Continued)

Notes (Continued)

(b) The maturity of borrowings is as follows:

	Group				Company	
	Bank and other loans		Guarantee notes		Bank loans	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Within 1 year	7,049.7	6,222.3	–	–	300.0	–
Between 1 and 2 years	4,219.0	2,305.4	1,248.1	–	–	300.0
Between 2 and 5 years	2,814.2	4,610.7	8,168.2	8,935.6	–	–
Wholly repayable within 5 years	14,082.9	13,138.4	9,416.3	8,935.6	300.0	300.0
Wholly repayable over 5 years	28.0	32.9	8,006.8	8,516.5	–	–

(c) The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates are all within 6 months from the balance sheet date, except for guaranteed notes and some bank loans as they are subjected to fixed interest rate and with maturity date ranged from 2 to 40 years. The Company provided guarantees to the banks in respect of the banking facilities provided to certain subsidiaries of HK\$5,694.7 million (2013: HK\$6,734.7 million). The effective interest rates of the Group's borrowings at the balance sheet date are as follows:

	Group									
	2014					2013				
	HKD	USD	RMB	AUD	JPY	HKD	USD	RMB	AUD	JPY
Bank and other loans	1.2%	0.9%	5.4%	N/A	1.2%	1.2%	0.8%	5.4%	N/A	1.2%
Guaranteed notes	3.9%	5.4%	1.6%	3.2%	3.4%	3.9%	5.4%	1.6%	3.2%	3.4%

(d) Saved as disclosed above, carrying value of borrowings approximate their fair value as the balances either at variable rates or the impact of discounting is not significant.

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	15,010.3	13,864.4	300.0	300.0
USD	7,690.7	7,680.0	–	–
RMB	7,303.7	7,378.2	–	–
AUD	861.9	939.6	–	–
JPY	667.4	761.2	–	–
	31,534.0	30,623.4	300.0	300.0

### 33 Customers' deposits

Customers' deposits mainly represent deposits received from customers pursuant to gas supply contracts agreed with customers and are repayable upon termination of gas supply contracts. The carrying values of the deposits approximate the fair value as the impact of discount is not significant.

The balances are denominated in HKD and bear interest at bank savings rate.

### 34 Deferred taxation

The movements in the deferred taxation are as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
At 1st January	4,711.3	4,446.2	1,148.9	1,121.3
Charged to income statement (Note 13)	383.3	380.7	39.3	27.6
Acquisition of businesses (Note 45)	141.5	7.1	–	–
Disposal of a subsidiary	–	(6.0)	–	–
Withholding tax	(24.6)	(48.4)	(2.8)	–
Exchange differences	(42.3)	(68.3)	–	–
At 31st December	5,169.2	4,711.3	1,185.4	1,148.9

Prior to offsetting of balances within the same taxation jurisdiction, the movements in deferred tax liabilities and assets during the year are as follows:

#### Group

	Accelerated tax depreciation		Mining and oil properties		Others		Total	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Deferred tax liabilities								
At 1st January	1,960.4	1,692.4	2,167.7	2,263.9	602.3	509.0	4,730.4	4,465.3
Charged/(credited) to income statement	239.0	251.3	17.1	(0.1)	127.2	129.5	383.3	380.7
Acquisition of businesses	141.2	7.1	–	–	0.3	–	141.5	7.1
Disposal of a subsidiary	–	(6.0)	–	–	–	–	–	(6.0)
Withholding tax	–	–	–	–	(24.6)	(48.4)	(24.6)	(48.4)
Exchange differences	(12.4)	15.6	(23.0)	(96.1)	(6.9)	12.2	(42.3)	(68.3)
At 31st December	2,328.2	1,960.4	2,161.8	2,167.7	698.3	602.3	5,188.3	4,730.4

	Provisions		Tax losses		Total	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Deferred tax assets						
At 1st January and 31st December	(8.3)	(8.3)	(10.8)	(10.8)	(19.1)	(19.1)
<b>Net deferred tax liabilities at 31st December</b>					<b>5,169.2</b>	<b>4,711.3</b>

### 34 Deferred taxation (Continued)

#### Company

Deferred tax liabilities	Accelerated tax depreciation	
	2014 HK\$'M	2013 HK\$'M
At 1st January	1,157.1	1,129.5
Charged to income statement	39.3	27.6
Withholding tax	(2.8)	–
At 31st December	1,193.6	1,157.1

Deferred tax assets	Provisions	
	2014 HK\$'M	2013 HK\$'M
At 1st January and 31st December	(8.2)	(8.2)
<b>Net deferred tax liabilities at 31st December</b>	<b>1,185.4</b>	<b>1,148.9</b>

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$315.6 million (2013: HK\$222.4 million) in respect of losses amounting to HK\$1,408.7 million (2013: HK\$1,007.8 million) that can be carried forward and set off against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$670.8 million (2013: HK\$526.8 million) which will expire at various dates up to and including 2019 (2013: 2018).

### 35 Derivative financial instruments

	Group			
	2014		2013	
	HK\$'M Assets	HK\$'M Liabilities	HK\$'M Assets	HK\$'M Liabilities
Cross currency swap and interest rate swap contracts – cash flow hedges (Note)	266.5	(485.8)	405.9	(328.6)
Interest rate swap contracts – held-for-trading	0.1	(41.8)	15.5	(37.2)
	266.6	(527.6)	421.4	(365.8)

#### Note

The fair value of hedging derivatives is classified as current assets when the remaining maturity of the hedged item is less than 12 months and disclosed in Note 29.

The fair values of hedging derivatives are classified as non-current assets or liabilities when the remaining maturity of the hedged items is more than 12 months.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a loss of HK\$1.9 million (2013: a gain of HK\$0.9 million).

### 35 Derivative financial instruments (Continued)

Note (Continued)

The major terms of the outstanding cross currency swap and interest rate swap contracts at 31st December 2014 and 2013 are as follows:

Notional Amount	Maturity	Forward contract rate	Interest rate (per annum)		Exchange Frequency	
			Receive	Pay	Receive	Pay
<b>Cross currency swap contract</b>						
RMB500 million	2015	RMB1 to HKD1.21	2.20%	1.14%	Quarterly	Quarterly
RMB1 billion	2016	RMB1 to HKD1.21	1.40%	1.57% – 1.60%	Semi-annually	Semi-annually
USD1 billion	2018	USD1 to HKD7.8	6.25%	5.20% – 5.66%	Semi-annually	Quarterly or semi-annually
AUD50 million	2021	AUD1 to HKD7.78	6.43%	3.42%	Semi-annually	Semi-annually
AUD86 million	2022	AUD1 to HKD7.90 – HKD8.21	5.37% – 5.85%	2.75% – 3.42%	Semi-annually or annually	Semi-annually or annually
JPY10 billion	2022	JPY100 to HKD9.705 – HKD9.897	1.19% – 1.36%	3.33% – 3.46%	Semi-annually	Semi-annually
<b>Interest rate swap contract</b>						
HKD350 million	2016	N/A	HIBOR	1.98%	Quarterly	Quarterly

Gains and losses recognised in the hedging reserve in equity (Note 39) on the swaps as of 31st December 2014 will be continuously released to the income statement until the repayment of relevant borrowings.

### 36 Share capital

	Group and Company			
	Number of Shares		Share Capital	
	2014	2013	2014 HK\$'M	HK\$0.25 each 2013 HK\$'M
Authorised: (Note (a))				
Ordinary shares (Note (b))	–	10,000,000,000	–	2,500.0
Issued and fully paid:				
At beginning of year	9,559,670,503	8,690,609,549	2,389.9	2,172.6
Transition to no-par value regime on 3rd March 2014 (Note (c))	–	–	3,084.8	–
Bonus shares	955,967,050	869,060,954	–	217.3
Shares repurchased	(3,548,000)	–	–	–
At end of year	10,512,089,553	9,559,670,503	5,474.7	2,389.9

During the year, 3,548,000 ordinary shares of the Company were repurchased at a total consideration of HK\$60.3 million, including transaction cost of HK\$0.1 million, at the price per share between HK\$16.88 and HK\$17.02. All of the repurchased shares have been cancelled.

## 36 Share capital (Continued)

### Notes

- (a) Under the Hong Kong Companies Ordinance (Cap.622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap.622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3rd March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

## 37 Share premium

	2014 HK\$'M	2013 HK\$'M
At beginning of year	2,861.0	3,078.3
Transition to no-par value regime on 3rd March (Note 36)	(2,861.0)	–
Less: Bonus issue	–	(217.3)
At end of year	–	2,861.0

## 38 Perpetual capital securities

In January 2014, the Group issued its first perpetual subordinated guaranteed capital securities (the "perpetual capital securities"), amounting to US\$300 million through, Towngas (Finance) Limited, a wholly-owned subsidiary for cash.

The perpetual capital securities are guaranteed by the Company, bear distribution at a rate of 4.75 per cent per annum for the first five years and thereafter will have a floating distribution rate. The perpetual capital securities are perpetual and are redeemable, at the option of the Group, in January 2019 or thereafter every six months on the distribution payment date. The distribution payment can be deferred at the discretion of the Group. Therefore, they are classified as equity instruments, and recorded in equity in the consolidated balance sheet.

## 39 Reserves

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
<b>Group</b>							
At 1st January 2014	366.9	223.8	376.0	(14.4)	3,855.4	37,610.3	42,418.0
Profit attributable to shareholders	-	-	-	-	-	7,109.2	7,109.2
Other comprehensive income:							
Remeasurements of retirement benefit	-	-	-	-	-	(63.0)	(63.0)
Revaluation surplus of available-for-sale financial assets	59.1	-	-	-	-	-	59.1
Impairment loss on available-for-sale financial assets transferred to income statement	5.8	-	-	-	-	-	5.8
Change in fair value of cash flow hedges	-	-	(88.5)	-	-	-	(88.5)
Share of comprehensive income of an associate	-	-	2.6	-	-	-	2.6
Exchange differences	-	-	-	-	(742.1)	-	(742.1)
Total comprehensive income for the year	64.9	-	(85.9)	-	(742.1)	7,046.2	6,283.1
Transition to no-par value regime on 3rd March 2014 (Note 36)	-	(223.8)	-	-	-	-	(223.8)
Further acquisition of subsidiaries	-	-	-	-	-	(1.6)	(1.6)
2013 final dividend proposed	-	-	-	-	-	2,198.7	2,198.7
2013 final dividend paid	-	-	-	-	-	(2,198.7)	(2,198.7)
2014 interim dividend paid	-	-	-	-	-	(1,261.9)	(1,261.9)
Share repurchased	-	-	-	-	-	(60.3)	(60.3)
At 31st December 2014	431.8	-	290.1	(14.4)	3,113.3	43,332.7	47,153.5
Balance after 2014 final dividend proposed	431.8	-	290.1	(14.4)	3,113.3	40,914.9	44,735.7
2014 final dividend proposed	-	-	-	-	-	2,417.8	2,417.8
	431.8	-	290.1	(14.4)	3,113.3	43,332.7	47,153.5

## 39 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
<b>Company</b>				
At 1st January 2014	11.1	223.8	8,446.1	8,681.0
Profit attributable to shareholders	–	–	3,351.7	3,351.7
Other comprehensive income:				
Remeasurements of retirement benefit	–	–	(63.0)	(63.0)
Revaluation surplus of available-for-sale financial assets	2.7	–	–	2.7
Total comprehensive income for the year	2.7	–	3,288.7	3,291.4
Transition to no-par value regime on 3rd March 2014 (Note 36)	–	(223.8)	–	(223.8)
2013 final dividend proposed	–	–	2,198.7	2,198.7
2013 final dividend paid	–	–	(2,198.7)	(2,198.7)
2014 interim dividend paid	–	–	(1,261.9)	(1,261.9)
Shares repurchased	–	–	(60.3)	(60.3)
At 31st December 2014	13.8	–	10,412.6	10,426.4
Balance after 2014 final dividend proposed	13.8	–	7,994.8	8,008.6
2014 final dividend proposed	–	–	2,417.8	2,417.8
	13.8	–	10,412.6	10,426.4

## 39 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Capital reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
<b>Group</b>								
At 1st January 2013 as previously reported	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,861.1	38,068.8
Effect of adoption of HKAS 19 (amendment 2011)	-	-	-	-	-	-	(116.7)	(116.7)
At 1st January 2013, as restated	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,744.4	37,952.1
Profit attributable to shareholders	-	-	-	-	-	-	6,853.8	6,853.8
Other comprehensive income:								
Remeasurements of retirement benefit	-	-	-	-	-	-	110.9	110.9
Revaluation deficit of available-for-sale financial assets	(178.7)	-	-	-	-	-	-	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	66.2	-	-	-	-	-	-	66.2
Change in fair value of cash flow hedges	-	-	149.3	-	-	-	-	149.3
Share of comprehensive loss of an associate	-	-	(1.7)	-	-	-	-	(1.7)
Exchange differences	-	-	-	-	-	722.7	-	722.7
Total comprehensive income for the year	(112.5)	-	147.6	-	-	722.7	6,964.7	7,722.5
Share of capital reserve of a joint venture	-	-	-	(155.5)	-	-	-	(155.5)
Further acquisition of subsidiaries	-	-	-	-	-	-	(66.3)	(66.3)
Partial disposal of a subsidiary	-	-	-	-	-	-	(13.6)	(13.6)
Issue of shares of a subsidiary	-	-	-	-	-	-	327.0	327.0
Issue of shares of a subsidiary under share option schemes	-	-	-	-	(2.3)	-	-	(2.3)
2012 final dividend proposed	-	-	-	-	-	-	1,998.8	1,998.8
2012 final dividend paid	-	-	-	-	-	-	(1,998.8)	(1,998.8)
2013 interim dividend paid	-	-	-	-	-	-	(1,147.2)	(1,147.2)
At 31st December 2013	366.9	223.8	376.0	-	(14.4)	3,855.4	39,809.0	44,616.7
Balance after 2013 final dividend proposed	366.9	223.8	376.0	-	(14.4)	3,855.4	37,610.3	42,418.0
2013 final dividend proposed	-	-	-	-	-	-	2,198.7	2,198.7
	366.9	223.8	376.0	-	(14.4)	3,855.4	39,809.0	44,616.7

### 39 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
<b>Company</b>				
At 1st January 2013 as previously reported	11.4	223.8	8,516.9	8,752.1
Effect of adoption of HKAS 19 (amendment 2011)	–	–	(116.7)	(116.7)
At 1st January 2013, as restated	11.4	223.8	8,400.2	8,635.4
Profit attributable to shareholders	–	–	3,280.9	3,280.9
Other comprehensive income:				
Remeasurements of retirement benefit	–	–	110.9	110.9
Revaluation deficit of available-for-sale financial assets	(7.2)	–	–	(7.2)
Impairment loss on available-for-sale financial assets transferred to income statement	6.9	–	–	6.9
Total comprehensive income for the year	(0.3)	–	3,391.8	3,391.5
2012 final dividend proposed	–	–	1,998.8	1,998.8
2012 final dividend paid	–	–	(1,998.8)	(1,998.8)
2013 interim dividend paid	–	–	(1,147.2)	(1,147.2)
At 31st December 2013	11.1	223.8	10,644.8	10,879.7
Balance after 2013 final dividend proposed	11.1	223.8	8,446.1	8,681.0
2013 final dividend proposed	–	–	2,198.7	2,198.7
	11.1	223.8	10,644.8	10,879.7

### 40 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2014 and 2013.

### 41 Commitments

(a) Capital expenditures for property, plant and equipment

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Authorised but not brought into the accounts at 31st December	3,466.6	3,408.5	869.2	759.2
Of which, contracts had been entered into at 31st December	3,445.0	3,355.1	869.2	759.2

## 41 Commitments (Continued)

### (b) Share of capital expenditures for property, plant and equipment of joint ventures

	Group	
	2014 HK\$'M	2013 HK\$'M
Authorised but not brought into the accounts at 31st December	2,391.0	2,356.1
Of which, contracts had been entered into at 31st December	2,171.4	1,975.2

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that as at 31st December 2014, the Group's commitments to these projects were approximately HK\$1,012.6 million (2013: HK\$2,029.0 million).

### (d) Lease commitments

#### *Lessee*

At 31st December 2014, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Not later than 1 year	113.4	105.1	17.4	19.4
Later than 1 year and not later than 5 years	147.4	151.1	38.8	44.0
Later than 5 years	224.3	212.5	114.7	124.0
	485.1	468.7	170.9	187.4

#### *Lessor*

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront and rental of server and equipment under operating leases. Except for certain car parks rented out on an hourly or a monthly basis, these leases typically run for an initial period of 2 to 10 years. Further details of the carrying value of the property are contained in Note 18. At 31st December 2014, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2014 HK\$'M	2013 HK\$'M
Not later than 1 year	76.6	44.2
Later than 1 year and not later than 5 years	203.9	165.7
Later than 5 years	251.7	282.5
	532.2	492.4

## 42 Related party transactions

Henderson Land Development Company Limited ("Henderson") is a related party of the Group by virtue of its significant interest in and influence over the Group. Other related parties include subsidiaries of Henderson and two banks with common directors with the Company during the year. During the year, the transactions carried out and year end balances with the associates, joint ventures and other related parties are shown as follows:

### (a) Interest income and sales of goods and services

	Group	
	2014 HK\$'M	2013 HK\$'M
Associates		
Sale of goods and services (Note (i))	16.3	7.0
Loan interest income (Note (ii))	49.9	39.9
Joint ventures		
Sale of goods and services (Note (i))	81.1	66.0
Loan interest income (Note (ii))	33.8	63.4
Other related parties		
Sale of goods and services (Note (i))	99.6	133.9
Interest income from bank deposits (Note (i))	26.1	14.9

### (b) Interest expense and purchase of goods and services

	Group	
	2014 HK\$'M	2013 HK\$'M
Associates		
Purchase of goods and services (Note (i))	190.0	187.7
Joint ventures		
Purchase of goods and services (Note (i))	27.7	40.0
Other related parties		
Purchase of goods and services (Note (i))	16.5	15.5
Interest expense on bank loans (Note (i))	112.2	112.1

#### Notes

- (i) These related party transactions were conducted at prices and terms as agreed by parties involved.
- (ii) For the terms and year end balances of loans, please refer to Notes 22 and 23.

## 42 Related party transactions (Continued)

- (c) Year end balances arising from interest income, interest expense and sale or purchase of goods and services from other related parties

	Group	
	2014 HK\$'M	2013 HK\$'M
Time deposits and interest receivables	1,893.5	906.0
Bank loans and interest payables	1,833.0	1,864.4
Trade receivables	28.4	35.4
Trade payables	0.5	0.6

- (d) Other related party transactions are also disclosed in Notes 12, 22, 23, 28 and 31.

## 43 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to net cash from operating activities

	Group	
	2014 HK\$'M	2013 HK\$'M
Profit before taxation	9,874.6	9,410.8
Share of results of associates	(1,725.1)	(1,389.1)
Share of results of joint ventures	(1,489.5)	(1,282.8)
Loss on disposal of a subsidiary	–	34.7
Fair value gain on investment property	(34.3)	(106.0)
Provision for investment in joint venture	25.0	–
Ineffective portion on cash flow hedges	1.9	(0.9)
Unhedged portion on cash flow hedges	(1.7)	(0.1)
Interest income	(328.3)	(327.0)
Interest expense	1,012.9	925.7
Dividend income from investments in securities	(243.1)	(202.7)
Depreciation and amortisation	1,951.5	1,649.3
Loss on disposal/write off of property, plant and equipment	23.0	35.2
Loss on disposal of leasehold land	4.3	4.8
(Gain)/loss on disposal of available-for-sale financial assets	(80.6)	61.7
Net realised and unrealised gain on investments in financial assets at fair value through profit or loss and derivative financial instruments	(111.1)	(82.3)
Tax paid	(1,468.2)	(1,300.6)
Exchange differences	319.4	(387.3)
Changes in working capital		
Increase in customers' deposits	23.0	28.3
Decrease/(increase) in inventories	64.5	(476.0)
Increase in trade and other receivables	(429.0)	(758.1)
Increase in trade and other payables	778.7	1,189.1
Increase/(decrease) in asset retirement obligations	2.7	(48.8)
Changes in retirement benefit assets	9.2	14.4
Net cash from operating activities	<b>8,179.8</b>	<b>6,992.3</b>

## 44 Share option scheme

Pursuant to share option scheme (the “Share Option Scheme”) adopted by the shareholders of Towngas China on 28th November 2005, Towngas China may grant options to the directors or employees of Towngas China and its subsidiaries for the recognition of their contributions to the Towngas China. Share options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option and the vesting period of share options is from the date of grant until the commencement of the exercisable period. Share options granted are exercisable in accordance with the terms of the Share Option Scheme at any time for a period to be determined by the directors of Towngas China, which shall not be more than 10 years after the date of grant.

As at 31st December 2014, total number of outstanding and exercisable share options is 11,015,800 (2013: 13,735,800). The weighted average exercise price for the outstanding and exercisable share options is HK\$3.7 (2013: HK\$3.7). Had all the outstanding vested share options been exercised on 31st December 2014, the Group would have received cash proceeds of approximately HK\$40.6 million (2013: HK\$50.7 million).

## 45 Business combinations

### (a) Business combinations under the Group’s new energy business

In October 2014, the Group acquired 80 per cent of 邢台市易高港興清潔能源有限公司 (“Xingtai”) for cash consideration of approximately HK\$22.8 million.

The inclusion of the acquired business does not have a significant impact of the Group’s turnover and profit for the year.

Details of fair value of net identifiable assets acquired and goodwill are as follows:

	HK\$’M
Purchase consideration	22.8
Fair value of net identifiable assets acquired (see below)	(18.1)
Goodwill (Note 20)	4.7

The goodwill is attributable to the future profitability of the acquired business of Xingtai and the synergies expected to arise after the Group’s acquisitions.

## 45 Business combinations (Continued)

### (a) Business combinations under the Group's new energy business (Continued)

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Acquirees' fair value at acquisition date HK\$'M
Property, plant and equipment (Note 17)	19.6
Trade and other receivables	3.0
Bank balances and cash	0.3
Deferred taxation (Note 34)	(0.3)
Net assets	22.6
Non-controlling interests	(4.5)
Net identifiable assets acquired	18.1

### Net cash outflow arising on acquisitions:

	HK\$'M
Purchase consideration for acquisition of a business, settled in cash	20.3
Cash and cash equivalents in a business acquired	(0.3)
Cash outflow on acquisition of a business	20.0

As at 31st December 2014, purchase considerations of HK\$2.5 million remained unpaid and included in trade and other payables.

### (b) Business combinations under Towngas China

For the year ended 31st December 2014, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK\$'M
Xingyi Hong Kong & China Gas Company Limited	70%	118.4
Jiajiang Hong Kong & China Gas Company Limited	70%	66.4
Songyang Hong Kong & China Gas Company Limited	51%	56.8
Siping Hong Kong & China Gas Company Limited	80%	61.4
Baotou Hong Kong & China Gas Company Limited	85%	227.2
Qianxinanzhou Ruiyang Compressed Natural Gas Company Limited	70%	26.3
Luliang Hong Kong & China Gas Company Limited	—*	116.0

\* During the year, the Towngas China acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

The inclusion of the acquired businesses does not have a significant impact of the Group's turnover and profit for the year.

## 45 Business combinations (Continued)

### (b) Business combinations under Towngas China (Continued)

The details of fair value of net identifiable assets acquired and goodwill are as follows:

	Acquirees' fair value at acquisition date HK\$'M
Property, plant and equipment (Note 17)	318.5
Leasehold land (Note 19)	70.5
Other intangible assets (Note 20)	458.8
Inventories	8.8
Trade and other receivables	44.3
Cash and bank balances	17.8
Trade and other payables	(164.2)
Taxation	(0.7)
Borrowings	(22.9)
Deferred taxation (Note 34)	(141.2)
Net assets	589.7
Non-controlling interests	(157.4)
Net identifiable assets acquired	432.3
Goodwill (Note 20)	240.2
Purchase consideration	672.5

The other intangible assets represent distribution network for piped city gas. The goodwill is attributable to the future profitability of the acquired businesses and the synergies expected to arise after the Group's acquisitions.

#### Net cash outflow arising on acquisitions:

	HK\$'M
Purchase consideration for acquisition of businesses, settled in cash	562.4
Cash and cash equivalents in businesses acquired	(17.8)
Cash outflow on acquisition of businesses	544.6

As at 31st December 2014, purchase consideration of HK\$51.1 million and HK\$59.0 million remained unpaid and included in trade and other payables and loan and other payables to non-controlling shareholders respectively.

### (c) Apart from the above, there were no other material acquisitions during the year ended 31st December 2014.

## Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas and related businesses in Hong Kong</b>				
# Quality Testing Services Limited	HK\$10,000	100	Hong Kong	Appliance testing
Summit Result Developments Limited	HK\$100	100	Hong Kong	Customers Centre
Towngas Enterprise Limited	HK\$2	100	Hong Kong	Café, restaurant and retail sales
Uticom Limited	HK\$100	100	Hong Kong	Development of automatic meter reading system
<b>Gas, water and related businesses in Mainland China</b>				
Chaozhou Hong Kong and China Gas Company Limited	HK\$100.0 million	60	PRC	Gas sales and related businesses
Danyang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Fengcheng Hong Kong and China Gas Company Limited	RMB88.0 million	55	PRC	Gas sales and related businesses
Guangzhou Dongyong Hong Kong & China Gas Limited	HK\$71.3 million	82.6	PRC	Gas sales and related businesses
Guangzhou Hong Kong and China Gas Company Limited	RMB105.0 million	80	PRC	Gas sales and related businesses
Jiangxi Hong Kong and China Gas Company Limited	RMB25.9 million	56	PRC	Gas sales and related businesses
Jilin Hong Kong and China Gas Company Limited	RMB100.0 million	63	PRC	Gas sales and related businesses
Jintan Hong Kong and China Gas Company Limited	RMB60.0 million	60	PRC	Gas sales and related businesses
† Pingxiang Hong Kong & China Gas Company Limited	US\$5.1 million	100	PRC	Gas sales and related businesses
† Suining Hong Kong and China Gas Company Limited	US\$5.0 million	100	PRC	Gas sales and related businesses
Taizhou Hong Kong and China Gas Company Limited	RMB83.0 million	65	PRC	Gas sales and related businesses
景縣港華燃氣有限公司	RMB79.0 million	81	PRC	Gas sales and related businesses
† 豐縣港華燃氣有限公司	US\$4.5 million	100	PRC	Gas sales and related businesses
饒平港華燃氣有限公司	HK\$126.0 million	60	PRC	Gas sales and related businesses
瀋陽三全工程監理諮詢有限公司	RMB3.0 million	60	PRC	Project management
† Maanshan Hong Kong and China Water Company Limited	US\$10.0 million	100	PRC	Water supply and related businesses
# Wuhu Hong Kong and China Water Company Limited	RMB400.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong and China Water Company Limited	RMB860.0 million	80	PRC	Water supply and related businesses
安徽省江北華衍水務有限公司	US\$12.2 million	100	PRC	Water supply and related businesses
† Hong Kong & China Gas Investment Limited	US\$75.0 million	100	PRC	Investment holding
* Towngas China Company Limited	2,632,657,769 shares of HK\$0.1 each	62.3	Cayman Island/ PRC	Investment holding

# Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

\* A listed company in The Stock Exchange of Hong Kong Limited

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China</b> (Continued)				
The following subsidiaries engaged in gas businesses are held by Towngas China Company Limited (TCCL) and the respective equity interest held by TCCL is shown accordingly.				
† An Shan Hong Kong and China Gas Company Limited	US\$20.0 million	100	PRC	Gas sales and related businesses
Beipiao Hong Kong and China Gas Company Limited	RMB56.0 million	80	PRC	Gas sales and related businesses
Benxi Hong Kong and China Gas Company Limited	RMB310.0 million	80	PRC	Gas sales and related businesses
Boxing Hong Kong & China Gas Co., Ltd	RMB40.0 million	65	PRC	Gas sales and related businesses
† Cangxi Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
Cangxian Hong Kong and China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
Changting Hong Kong and China Gas Company Limited	RMB22.0 million	90	PRC	Gas sales and related businesses
Chaoyang Hong Kong and China Gas Co., Ltd.	US\$10.8 million	90	PRC	Gas sales and related businesses
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd.	RMB60.0 million	60	PRC	Gas sales and related businesses
Chi Ping Hong Kong & China Gas Co., Ltd.	RMB40.0 million	85	PRC	Gas sales and related businesses
† Chizhou Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
Dafeng Hong Kong and China Gas Company Limited	RMB60.0 million	51	PRC	Gas sales and related businesses
† Dalian Changxing Hong Kong and China Gas Co., Ltd.	US\$14.0 million	100	PRC	Gas sales and related businesses
† Dalian Lvshun Hong Kong and China Gas Co., Ltd.	US\$15.0 million	100	PRC	Gas sales and related businesses
† Dayi Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
† Feicheng Hong Kong and China Gas Company Limited	RMB32.0 million	100	PRC	Gas sales and related businesses
† Fuxin Dali Gas Company Limited	RMB13.9 million	100	PRC	Gas sales and related businesses
Fuxin Hong Kong and China Gas Company Limited	RMB77.2 million	90	PRC	Gas sales and related businesses
† Fuxin Xinqiu Hong Kong and China Gas Company Limited	RMB34.0 million	100	PRC	Gas sales and related businesses
† Gao Chun Hong Kong and China Gas Co., Ltd.	US\$4.0 million	100	PRC	Gas sales and related businesses
† Gongzhuling Hong Kong and China Gas Company Limited	RMB53.0 million	100	PRC	Gas sales and related businesses
† Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
Guilin Hong Kong and China Gas Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
† Huangshan Hong Kong and China Gas Co., Ltd.	RMB40.0 million	100	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China</b> (Continued)				
† Huangshan Huizhou Hong Kong and China Gas Co., Ltd.	US\$2.1 million	100	PRC	Gas sales and related businesses
† Huangshan Taiping Hong Kong and China Gas Co., Ltd.	US\$3.5 million	100	PRC	Gas sales and related businesses
Huzhou Hong Kong and China Gas Company Limited	US\$10.5 million	98.9	PRC	Gas sales and related businesses
Jianping Hong Kong and China Gas Company Limited	RMB58.0 million	80	PRC	Gas sales and related businesses
Jiayang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Jinan Pingyin Hong Kong and China Gas Company Limited	RMB100.0 million	82.5	PRC	Gas sales and related businesses
Jiujiang Hong Kong and China Gas Co., Ltd.	RMB10.0 million	60	PRC	Gas sales and related businesses
† Kazuo Hong Kong and China Gas Co., Ltd.	US\$6.4 million	100	PRC	Gas sales and related businesses
† Laiyang Hong Kong and China Gas Co., Ltd.	US\$5.4 million	100	PRC	Gas sales and related businesses
† Lezhi Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
† Longkou Hong Kong and China Gas Co., Ltd.	US\$7.1 million	100	PRC	Gas sales and related businesses
Maanshan Bowang Hong Kong and China Gas Co., Ltd.	US\$10.0 million	75.1	PRC	Gas sales and related businesses
† Maanshan Jiangbei Hong Kong & China Gas Company Limited	US\$10.0 million	100	PRC	Gas sales and related businesses
Mengcun Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
† Mianyang Hong Kong and China Gas Company Limited	RMB90.0 million	100	PRC	Gas sales and related businesses
Mianyang Heqing Hong Kong and China Gas Co., Ltd.	RMB1.0 million	80	PRC	Gas sales and related businesses
Mianzhu Xinxin Natural Gas Co., Ltd.	RMB1.0 million	80	PRC	Gas sales and related businesses
Miluo Hong Kong and China Gas Company Limited	RMB50.0 million	70	PRC	Gas sales and related businesses
Pengshan Hong Kong and China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Pengxi Hong Kong and China Gas Company Limited	RMB16.6 million	100	PRC	Gas sales and related businesses
Pingchang Hong Kong and China Gas Company Limited	RMB20.0 million	90	PRC	Gas sales and related businesses
Qingdao Dong Yi Hong Kong and China Gas Co., Ltd.	RMB30.0 million	60	PRC	Gas sales and related businesses
Qingdao Zhongji Hong Kong and China Gas Co., Ltd.	RMB73.5 million	90	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China</b> (Continued)				
Qing Yuan Hong Kong and China Gas Company Limited	RMB50.0 million	80	PRC	Gas sales and related businesses
Qinhuangdao Hong Kong and China Gas Co., Ltd.	RMB15.0 million	51	PRC	Gas sales and related businesses
Qiqihar Hong Kong and China Gas Company Limited	RMB128.6 million	61.7	PRC	Gas sales and related businesses
Shao Guan Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
† Shenyang Hong Kong and China Gas Company Limited	US\$24.5 million	100	PRC	Gas sales and related businesses
Sichuan Quanxin Gas Co., Ltd.	RMB12.0 million	80	PRC	Gas sales and related businesses
Tieling Hong Kong and China Gas Company Limited	RMB233.0 million	80	PRC	Gas sales and related businesses
Tongxiang Hong Kong and China Gas Company Limited	US\$7.0 million	76	PRC	Gas sales and related businesses
Weiyuan Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Wuning Hong Kong and China Gas Company Limited	RMB25.0 million	100	PRC	Gas sales and related businesses
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	RMB30.0 million	100	PRC	Gas sales and related businesses
Xin Jin Hong Kong and China Gas Company Limited	RMB20.0 million	60	PRC	Gas sales and related businesses
Xin Jin Yong Shuang Hong Kong and China Gas Company Limited	RMB20.0 million	60	PRC	Gas sales and related businesses
Xiushui Hong Kong and China Gas Company Limited	RMB30.0 million	80	PRC	Gas sales and related businesses
† Yang Jiang Hong Kong and China Gas Company Limited	RMB50.0 million	100	PRC	Gas sales and related businesses
Yanshan Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
† Yifeng Hong Kong and China Gas Co., Ltd.	RMB32.0 million	100	PRC	Gas sales and related businesses
† Yingkou Hong Kong and China Gas Company Limited	US\$9.4 million	100	PRC	Gas sales and related businesses
Yuechi Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
† Zhaoyuan Hong Kong and China Gas Company Limited	RMB22.0 million	100	PRC	Gas sales and related businesses
† Zhongjiang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Ziyang Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
大連瓦房店金宇港華燃氣有限公司	RMB40.0 million	60	PRC	Gas sales and related businesses
† Towngas Investments Limited	US\$200.0 million	100	PRC	Investment holding

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>New Energy businesses</b>				
ECO Aviation Fuel Development Limited	HK\$2	100	Hong Kong	Aviation fuel facility
ECO Aviation Fuel Services Limited	HK\$10,000	100	Hong Kong	Aviation fuel facility
ECO Landfill Gas (NENT) Limited	HK\$100	100	Hong Kong	Landfill gas project
P-Tech Landfill Gas (SENT) Company Limited	HK\$100	100	Hong Kong	Landfill gas project
<sup>1</sup> ECO Biochemical Technology (Zhangjiagang) Company Limited	US\$33.3 million	100	PRC	Chemical business
Inner Mongolia SanWei Coal Chemical Technology Company Limited	RMB400.0 million	70.1	PRC	Chemical business
Inner Mongolia ECO Ke Jian Coal Company Limited	RMB150.0 million	100	PRC	Coal related businesses
Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited	RMB120.0 million	70.1	PRC	Coal related businesses
Dandong YiYuan Trade Co., Ltd.	US\$66.0 million	100	PRC	Coal related businesses
Qinhuangdao YiTeng Trade Co. Ltd.	US\$20.0 million	100	PRC	Coal related businesses
<sup>1</sup> 易高能源工程管理諮詢服務(西安)有限公司	US\$1.5 million	100	PRC	Engineering services
<sup>1</sup> 易高新能源工程管理服務(深圳)有限公司	RMB15.0 million	100	PRC	Engineering services
Shanxi ECO Coalbed Methane Co. Ltd.	RMB200.0 million	70	PRC	LNG business
<sup>1</sup> Shandong ECO Juming Energy Co., Ltd.	RMB150.0 million	70	PRC	LNG business
<sup>1</sup> 徐州易高中泰新能源有限公司	US\$24.5 million	80	PRC	LNG business
嘉祥縣恒生貿易有限公司	RMB180.0 million	55	PRC	Logistics business
ECO Orient Resources (Thailand) Ltd.	THB 425,000,000 divided into 17,000,000 shares of THB25 each	100	Thailand	Oil business
<sup>†</sup> ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
Anyang ECO Clean Energy Co., Ltd.	US\$2.25 million	100	PRC	Vehicular fuel refilling station
Chiping ECO Yi Yun Gas Co. Ltd.	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Dong Ping ECO Energy Co. Ltd.	RMB25.5 million	91	PRC	Vehicular fuel refilling station
<sup>†</sup> Henan ECO Clean Energy Co. Ltd.	US\$2.22 million	100	PRC	Vehicular fuel refilling station
Jiaxiang ECO Energy Co. Ltd.	RMB28.0 million	70	PRC	Vehicular fuel refilling station
Jining ECO Energy Co., Ltd.	RMB7.7 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> Liaocheng ECO Clean Energy Co. Ltd.	USD\$2.1 million	100	PRC	Vehicular fuel refilling station
Xian ECO Yida Clean Energy Co., Ltd.	RMB12.0 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 內蒙古易高清潔能源有限公司	RMB14.0 million	90	PRC	Vehicular fuel refilling station
<sup>1</sup> 單縣易高清潔能源有限公司	US\$2.3 million	100	PRC	Vehicular fuel refilling station
山西易高天星清潔能源有限公司	RMB20.0 million	75	PRC	Vehicular fuel refilling station

<sup>†</sup> Wholly foreign-owned enterprises

<sup>1</sup> Newly formed during the year

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>New Energy businesses (Continued)</b>				
廣州易高環保能源有限公司	US\$2.1 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 微山易高能源有限公司	US\$4.7 million	100	PRC	Vehicular fuel refilling station
林州市易高清潔能源有限公司	US\$3.3 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 漢中易高清潔能源有限公司	US\$2.1 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 邢台市易高港興清潔能源有限公司	RMB17.1 million	80	PRC	Vehicular fuel refilling station
開封易高清潔能源有限公司	US\$2.4 million	100	PRC	Vehicular fuel refilling station
<sup>†</sup> 陝西易高清潔能源有限公司	RMB27.0 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 鳳翔易高清潔能源有限責任公司	RMB15.0 million	100	PRC	Vehicular fuel refilling station
ECO Environmental Investments Limited	HK\$2	100	Hong Kong	Investment holding
<sup>†</sup> ECO Environmental Energy Investments Limited	US\$100.0 million	100	PRC	Investment holding
<sup>†</sup> ECO Environmental Resources Investments Limited	US\$299.0 million	100	PRC	Investment holding
<b>Other businesses</b>				
HDC Data Centre Limited	HK\$100	100	Hong Kong	Telecommunications business
Towngas Telecommunications Fixed Network Limited	HK\$35,000,000	100	Hong Kong	Telecommunications business
<sup>†</sup> Towngas Telecom (Fengxian) Company Limited	RMB7.5 million	100	PRC	Telecommunications business
<sup>†</sup> Towngas Telecom (Peixian) Company Limited	RMB9.0 million	100	PRC	Telecommunications business
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunications business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB68.0 million	65	PRC	Telecommunications business
<sup>†</sup> Towngas Telecommunications (Shenzhen) Limited	RMB6.0 million	100	PRC	Telecommunications business
TGT China Cloud Data Services (Harbin) Co., Ltd.	RMB63.0 million	80	PRC	Telecommunications business
TGT Union Financial Data Services (Dongguan) Co., Ltd.	RMB80.0 million	60	PRC	Telecommunications business
<sup>1</sup> 大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Telecommunications business
<sup>1</sup> 北京馳波名氣通數據服務有限公司	RMB10.0 million	100	PRC	Telecommunications business
<sup>1</sup> 名氣通網絡(深圳)有限公司	RMB29.5 million	100	PRC	Telecommunications business
萊陽名氣通電訊有限公司	RMB10.0 million	90	PRC	Telecommunications business
Hong Kong and China Technology (Wuhan) Company Limited	RMB21.2 million	90.1	PRC	System Development & Consulting Services
<sup>1</sup> 珠海卓銳高科信息技術有限公司	RMB4.9 million	100	PRC	System Development & Consulting Services

<sup>†</sup> Wholly foreign-owned enterprises

<sup>1</sup> Newly formed during the year

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Other businesses</b> (Continued)				
M-Tech Instrument (Hong Kong) Limited	HK\$100	100	Hong Kong	Gas meter and related businesses
† 卓通管道系統(中山)有限公司	RMB13.5 million	100	PRC	PE piping system business
† 卓度計量技術(深圳)有限公司	RMB30.0 million	100	PRC	Gas meter and related businesses
U-Tech Engineering Company Limited	HK\$14,800,000	100	Hong Kong	Engineering and related businesses
P-Tech Engineering Company Limited	HK\$2	100	Hong Kong	Engineering and related businesses
Starmax Assets Limited	90 million ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property development
<b>Financing &amp; securities investments</b>				
# Eagle Legend International Limited	HK\$100	100	Hong Kong	Financing
HKCG (Finance) Limited	HK\$100	100	Hong Kong	Financing
TCCL (Finance) Limited	HK\$1	62.3	Hong Kong	Financing
Towngas (Finance) Limited	100 ordinary shares of HK\$1 each	100	British Virgin Islands	Financing
Barnaby Assets Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Danetop Services Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Investstar Limited	HK\$100	100	Hong Kong	Securities investment
Superfun Enterprises Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Upwind International Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
<b>Investment holding</b>				
Apex Time Holdings Limited	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Energy (China) Ltd.	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Investments (China) Limited	HK\$100	100	Hong Kong	Investment holding
ECO Natural Gas (China) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Natural Gas (Xian) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Orient Energy (Thailand) Ltd.	US\$12,000 divided into 12,000 ordinary shares of US\$1 each	100	Bermuda	Investment holding
Fanico Investments Limited	HK\$1	100	Hong Kong	Investment holding

# Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Investment holding</b> (Continued)				
G-Tech Piping Technologies Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Gas (Anhui) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Changzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Chaozhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (China) Limited	10,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Danyang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Fengcheng) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Hebei) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jilin Province) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jinan) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jintan) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Nanjing) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Panyu) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Suzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taizhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wuhan) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wujiang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Xuzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yixing) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhangjiagang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Investment holding</b> (Continued)				
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Maanshan) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Water (Suzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong and China Gas (Hainan) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangxi) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jingxian) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Xinmi) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhangshu) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhengzhou) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Water (Anhui Jiangbei) Limited	HK\$100	100	Hong Kong	Investment holding
M-Tech Instrument Corporation (Holding) Limited	HK\$119	100	Hong Kong	Investment holding
Sky Global Limited	100 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
TGT Destic Company Limited	HK\$100	100	Hong Kong	Investment holding
# Towngas International Company Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	HK\$2	100	Hong Kong	Investment holding
Townags Telecommunications (China) Limited	50,000 shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding

# Direct subsidiaries of the Company

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

## Chairman

LEE Shau Kee

## Directors

LEUNG Hay Man\*

Colin LAM Ko Yin

David LI Kwok Po\*

LEE Ka Kit

Alfred CHAN Wing Kin

LEE Ka Shing

POON Chung Kwong\*

Peter WONG Wai Yee

\* Independent Non-executive Director

## Managing Director

Alfred CHAN Wing Kin

## Executive Director and Chief Operating Officer – Utilities Business

Peter WONG Wai Yee

## Chief Financial Officer and Company Secretary

John HO Hon Ming

## Registered Office

23rd Floor, 363 Java Road,  
North Point, Hong Kong

## Company's Website

www.towngas.com

## Share Registrar

Computershare Hong Kong  
Investor Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong  
Tel: 2862 8555  
Fax: 2865 0990

## Auditor

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building,  
Central,  
Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central,  
Hong Kong

The Bank of East Asia, Limited  
10 Des Voeux Road Central,  
Hong Kong

## Investor Relations

Corporate Investment and Investor  
Relations Department  
Tel: 2963 3189  
Fax: 2911 9005  
e-mail: invrelation@towngas.com

Corporate Communications Department  
Tel: 2963 3493  
Fax: 2516 7368  
e-mail: ccd@towngas.com

Company Secretarial Department  
Tel: 2963 3292  
Fax: 2562 6682  
e-mail: compsec@towngas.com

# FINANCIAL CALENDAR

Half-Year Results	Announced on Monday, 25th August 2014
Full-Year Results	Announced on Wednesday, 18th March 2015
Annual Report	Posted to Shareholders on Thursday, 23rd April 2015
Register of Members	(i) To be closed on Thursday, 28th May 2015 to Monday, 1st June 2015, for the purpose of determining entitlement of Shareholders to the right to attend and vote at the Annual General Meeting (ii) To be closed on Friday, 5th June 2015 to Tuesday, 9th June 2015, for the purpose of determining Shareholders who qualify for the proposed issue of bonus shares and final dividend
Annual General Meeting	To be held on Monday, 1st June 2015
Dividends – Interim	HK12 cents – Paid on Friday, 3rd October 2014
– Final (Proposed)	HK23 cents – Payable on Wednesday, 17th June 2015
Bonus Issue of Shares (Proposed)	Share certificates to be posted to Shareholders on Wednesday, 17th June 2015

Both printed English and Chinese versions of this Annual Report are available upon request from the Company and the Company's share registrar free of charge. The website version of this Annual Report is also available on the Company's website.

The Hong Kong and China Gas Company Limited  
香港中華煤氣有限公司

23rd Floor, 363 Java Road, North Point, Hong Kong  
[www.towngas.com](http://www.towngas.com)

